NOVEMBER 1979

Nation's Business

The business advocate magazine

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Do
Not
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TRANSPORTATION 2000:

How America Will Move Its People and Products












GM
Eldorado 1980
BY CADILLAC...

The car behind the mystique.

There are great road cars. There are great luxury cars. Eldorado 1980 is both. On one hand, there's the mystique of Eldorado. Like that of the Eldorado Biarritz shown. The excitement. Flair. Pleasure. And pride. On the other hand, there's the car behind the image. A superbly designed, front-wheel drive automobile built to pull you through—in rain, sleet or snow. Altogether, one of the best engineered cars in the world. And even more so for 1980.

New Digital Electronic-Fuel-Injected Engine . . . which maintains a constant idle speed regardless of weather, load or altitude. Nerve center of this new engine is a sophisticated new form of EFI called Digital EFI, a Cadillac exclusive. Operating with digital accuracy, two electronically controlled injectors meter a precise mixture of fuel and air to the engine. For California, 5.7 liter EFI engine is standard.

New, on-board computer diagnostics to help take the guesswork out of servicing. This system, again a Cadillac exclusive, enables a Cadillac service man to find and correct a number of possible problem areas quickly. Activated by two push buttons, the diagnostic system displays a coded number for the area needing attention. Standard with Digital EFI.

New Electronic Climate Control System with digital accuracy. With a touch of a button, you can change temperature setting as precise as one degree. The system itself has one of the highest cooling capacities found anywhere on any car.

To help make you a more efficient driver . . . Another Cadillac digital feature for 1980 is the MPG Sentinel—standard with Digital EFI. Instantaneous miles per gallon is shown continuously to the nearest mpg. Push a button and it displays your average mpg for your trip, to the nearest 1/10 of a mile.

Almost every advanced electronic convenience is standard. Utilizing electronics, Eldorado seems to respond to your every need . . . your every wish. Almost anticipating them. From new Digital Electronic Fuel Injection to Electronic Level Control. From the Digital Electronic Climate Control System to Twilight Sentinel that automatically turns lights on and off in response to outside lighting conditions. And on it goes . . .

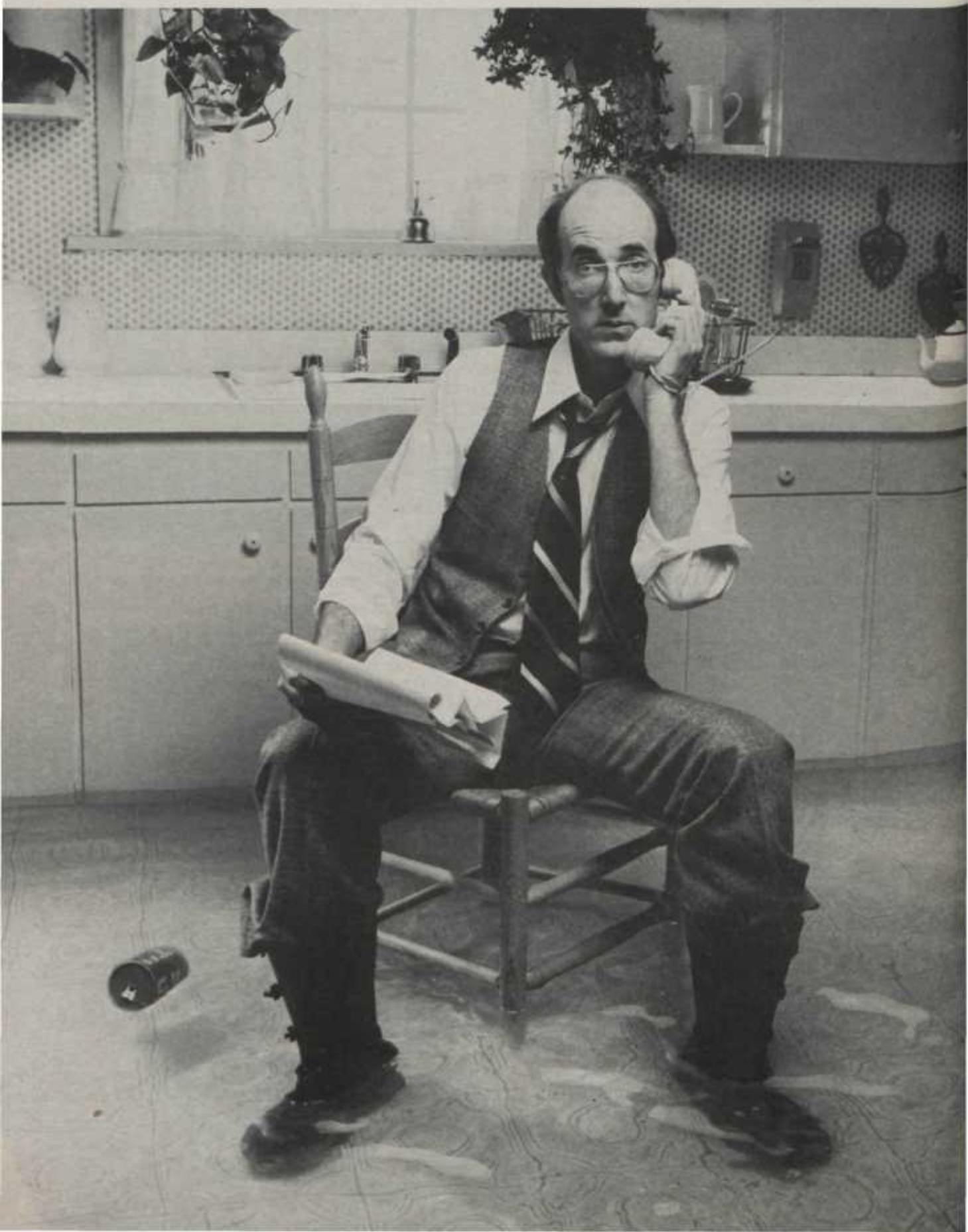
Front-wheel drive for traction and added roominess. Eldorado, one of the cars that pioneered modern front-wheel drive in the U.S., is still one of its finest expressions. Because the engine's weight is over the wheels that drive the car, there is impressive traction in a wide variety of weather conditions. And since the floor is virtually flat with front-wheel drive, there's added roominess, too.

World-class in engineering. Almost every system —every detail—contributes to the world-class status of Eldorado 1980. Including four-wheel independent suspension for ride control. Four-wheel disc brakes that adjust automatically with every application. Quick ratio power steering that contributes to maneuverability in city driving and parking. Permanently sealed wheel bearings that never need lubrication. And much more. Even side window defoggers are standard.

Available Diesel-powered Eldorado with an EPA estimate of (21) mpg and 31 mpg highway. Multiply these estimates by Eldorado's Diesel fuel tank rating of 23 gallons for an estimated driving range of (483) miles and an estimated highway range of 713 miles. *Remember:* Use the circled estimated mpg for comparison to other cars. Your mileage and range depend on your speed, trip length and weather. Your actual highway mileage and range will probably be less than the highway estimates. In Calif., Diesel engine not available at time of printing. Eldorados are equipped with GM-built engines produced by various divisions. See your Cadillac dealer for details. And to buy or lease the Eldorado of your choice.

...one of the best engineered cars in the world.

How policyholders



spirits get dampened.



Problem Like many a business today, insurance is well into the electronic age. But some operations remain largely a manual art.

Take the handling of claims. It's still paperwork, bulging files, information transferred by mail. Which leads to errors, delays, expense.

The profit squeeze—costs on the rise and rates in a regulated bind—demands every possible efficiency. And each delay or inaccuracy is likely to raise a claimant's dander and demands.



"Yes, I have your claim right here."

Solution The Bell System has developed communications systems to improve insurance office operations, from claims handling to policy updating.

We can help an adjustor get almost instant access to the home-office data bank. To answer a customer's questions on the spot. To subtract days, even weeks, from the claim-handling process.

Our solutions call for no heavy capital outlay. They provide the optimum mix of voice, data and network services, primarily by making it easier to access data storage and processing capabilities already in place. And every installation has Bell System back-up.

Whatever your company processes—claims, orders or inventory data—if you haven't talked systems with your Bell Account Executive, you're missing something.

The system is the solution.



Dataspeed® terminals offer full range of entry and retrieval capabilities.

Bell System

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Before you leave, record a personal message for your callers. Flip a switch and the 555 answers your phone and records all your messages. Then stop at any phone, call your number, "beep" the 555 into action with your pocket coder, and listen to everything on the tape. If you miss a name or phone number the first time through, your pocket coder lets you backspace and repeat. And you can store or erase all messages; you decide while away.

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The 555 is also extremely useful when you're *in* your office. Use it to screen calls, dictate memos and to cover the phone when everyone needs to concentrate on his work without interruption.

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Manufacturer's suggested prices: Electronic Dialer II, $149.95; Code-A-Phone 555, $695. Dealer prices may vary. This offer is available from authorized Code-A-Phone commercial dealers only. Void where prohibited by law. In Hawaii and Alaska, call (503) 774-1304. In Oregon, call 1-774-1304. Code-A-Phone is a registered trademark of Ford Industries, Inc.

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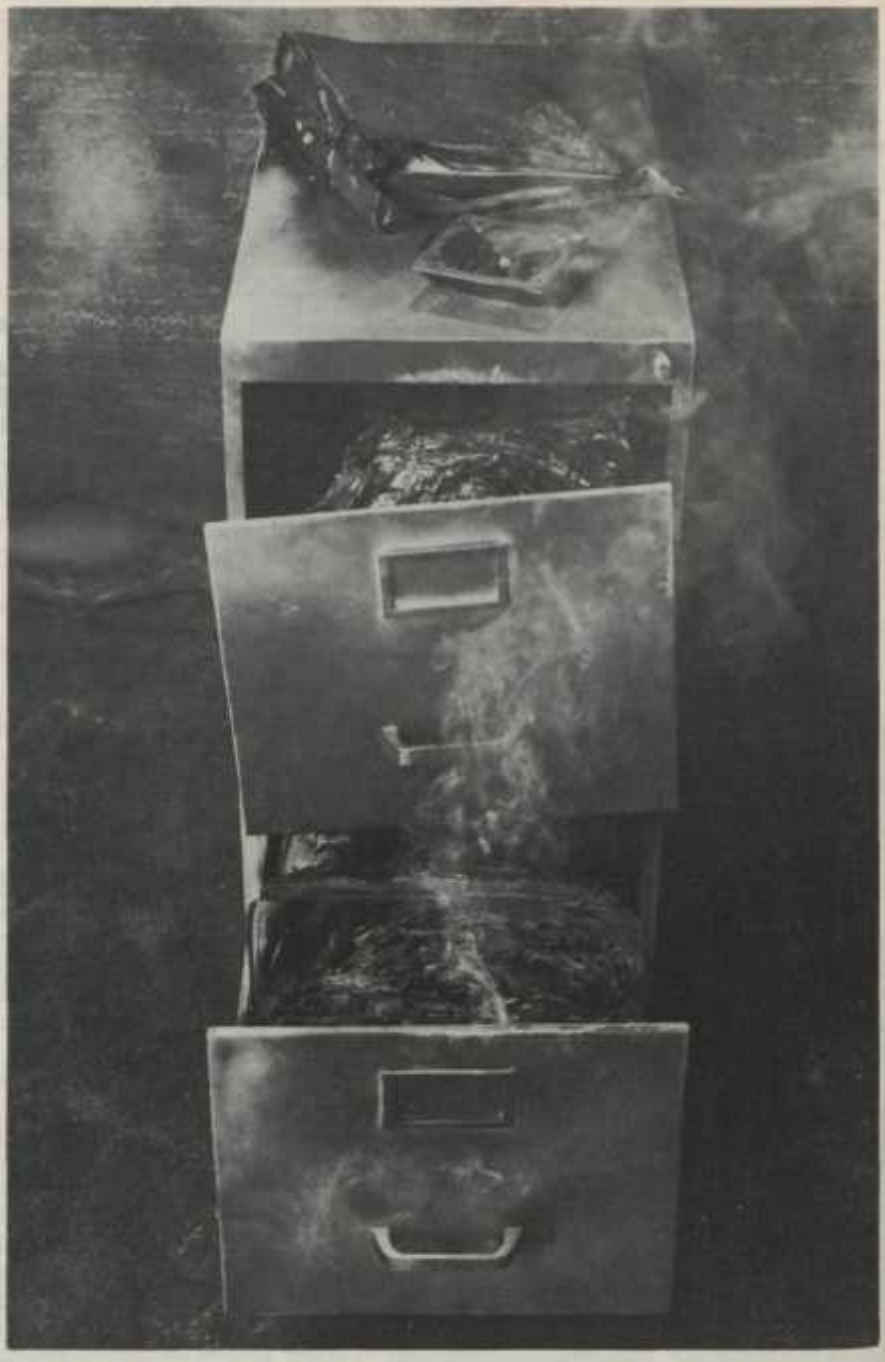
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*Victor Fire Master has passed Underwriters' Laboratories and Safe Cabinet Laboratory tests for the Underwriters' 350-1 insulated file device cabinet label.

WASHINGTON LETTER

▶ A NET IS CLOSING around the Federal Trade Commission. Many legislators want to put reins on the agency and what they consider its regulatory excesses.

Number one check is the legislative veto. Either house of Congress could kill FTC actions it disliked, if the other house did not object

Other possibilities: Limit on payments to witnesses, a ban on setting procedures for adoption of industry voluntary standards.

▶ FTC'S ALLIES SCUTTLED previous trys at limiting the agency via authorization bills.

Result: The FTC hasn't had an appropriation for two years and has been living by a series of continuing resolutions. They're a stopgap measure to keep an agency going while Congress decides on more permanent funding.

Congress is fed up with abuse of the continuing resolution. The FTC will live under severe restrictions--and on very short rations--until it stops resisting reform legislation.

▶ CONGRESS PASSES INFLATIONARY bills five times more often than those with an opposite effect. That's the record for 1978, says the National Association of Business Economists.

A special committee of economists evaluated 410 congressional votes on bills that became law.

Conclusion: 140 of the new laws would have some inflationary impact, while only 28 of them could be expected to reduce inflation.

▶ BALANCING THE BUDGET is the single most effective thing Congress can do to end inflation.

But it should be balanced at a lower level, not an ever-higher one, says U. S. Chamber Chairman Jay VanAndel. He gave the Chamber's views to a congressional hearing on constitutional amendments to limit federal spending.

An amendment may be needed, said Mr. VanAndel. But that would be a long-term solution. Short-term action is also required, he emphasized.

Recommendation: Improve the machinery of the 1974 Budget Control Act.

▶ NEARLY $11 BILLION COULD BE SAVED if the federal government eliminated known areas of fraud, waste, abuse, and mismanagement.

That's a figure the Republican Study Committee put together. It's from reports of the General Accounting Office and three federal inspectors general for the period January-August, 1979.

Among the potential savings:

- $4.193 billion in the Medicare and Medicaid programs.
- $1.7 billion in excess and surplus property acquired by the General Services Administration.
- $866 million in the Social Security Administration.
- $715 million because of the Davis-Bacon Act.
- $500 million plus in the food stamp program.

"Many of these reports cite problems that have been continuing year after year," the GOP group notes.

▶ ENOUGH FUEL IN THE WRONG PLACE is what Americans face in the near future.

The Petroleum Industry Research Foundation says the world oil supply is gaining on demand. It should continue to do so through 1980 . . . barring trouble in the Middle East.

But, the U. S. will see local shortages

of heating oil and diesel fuel, followed by local shortages of gasoline. That's the prediction of Milton R. Copulos of the Heritage Foundation.

Why? Because Department of Energy policies are creating kinks in the supply lines, the energy policy analyst says.

The department tends to agree. In a candid memorandum, its Office of Competition says "the regulations foster inefficient allocation of resources" and "increased costs to consumers."

▶ CONCERN FOR ENERGY SUPPLIES is causing a change in attitudes toward protecting the environment.

A recent ABC News-Harris Survey of public opinion found that 61 percent of American adults favor a slowdown of anti-pollution efforts if it would help the country cope with energy problems.

It was, the survey notes, "the first time in recent years that there has been a decline in concern about pollution of the environment."

▶ GEORGE MEANY'S RETIREMENT could trigger the first contested presidential election in AFL-CIO history.

Mr. Meany became president when the organization was formed in 1955. His reelection was never challenged.

Union delegates meeting in Washington this month will pick his successor, a secretary-treasurer, and the 35 members of the executive council.

▶ THE NEXT AFL-CIO PRESIDENT is likely to be Lane Kirkland, 57, now secretary-treasurer.

Many labor leaders say he has earned at least a two-year try at the job. The attention he got negotiating that labor accord with the administration will help, too.

But Mr. Kirkland's biggest asset--his close association with George Meany--is also his biggest liability. Young turks in the labor movement felt the crusty, 85-year-old president gave the unions an image too conservative for younger workers.

There has been talk of possible challenges to Mr. Kirkland's ascension. But insiders doubt that will happen. Watch the maneuvering for the secretary-treasurer post, they say. That's where the action will be, if there is any.

▶ WILL A LARGER AFL-CIO RESULT from the changes at the top? Quite possible.

The late Walter Reuther took the United Auto Workers out of the federation because of a feud with Mr. Meany. Now, both men are out of the picture.

The UAW is the nation's second biggest union.

The largest union, the Teamsters, was booted out of the AFL-CIO because of alleged corruption in its leadership.

A UAW return--less controversial--would come first.

▶ FOREIGN COMPETITION WILL GET TOUGHER, say many American firms that might be affected.

That's a finding of the last Business Confidence Survey. It's conducted quarterly for the U. S. Chamber by the Gallup Organization.

Three out of ten respondents said they don't have foreign competition. Of those who do, 40 percent expect a significant increase within four years, and 60 percent see little change.

▶ NEW STYLE OF CORPORATE TAKEOVER coming? That's the prediction from Richard Cheney, an expert on takeover fights.

Changes in SEC rules make takeover by tender offer more difficult, more costly.

Tommorrow's raiders may simply buy a bloc of the target's stock, announce intention to liquidate the company, then put up a rival slate of directors pledged to do that, Mr. Cheney believes.

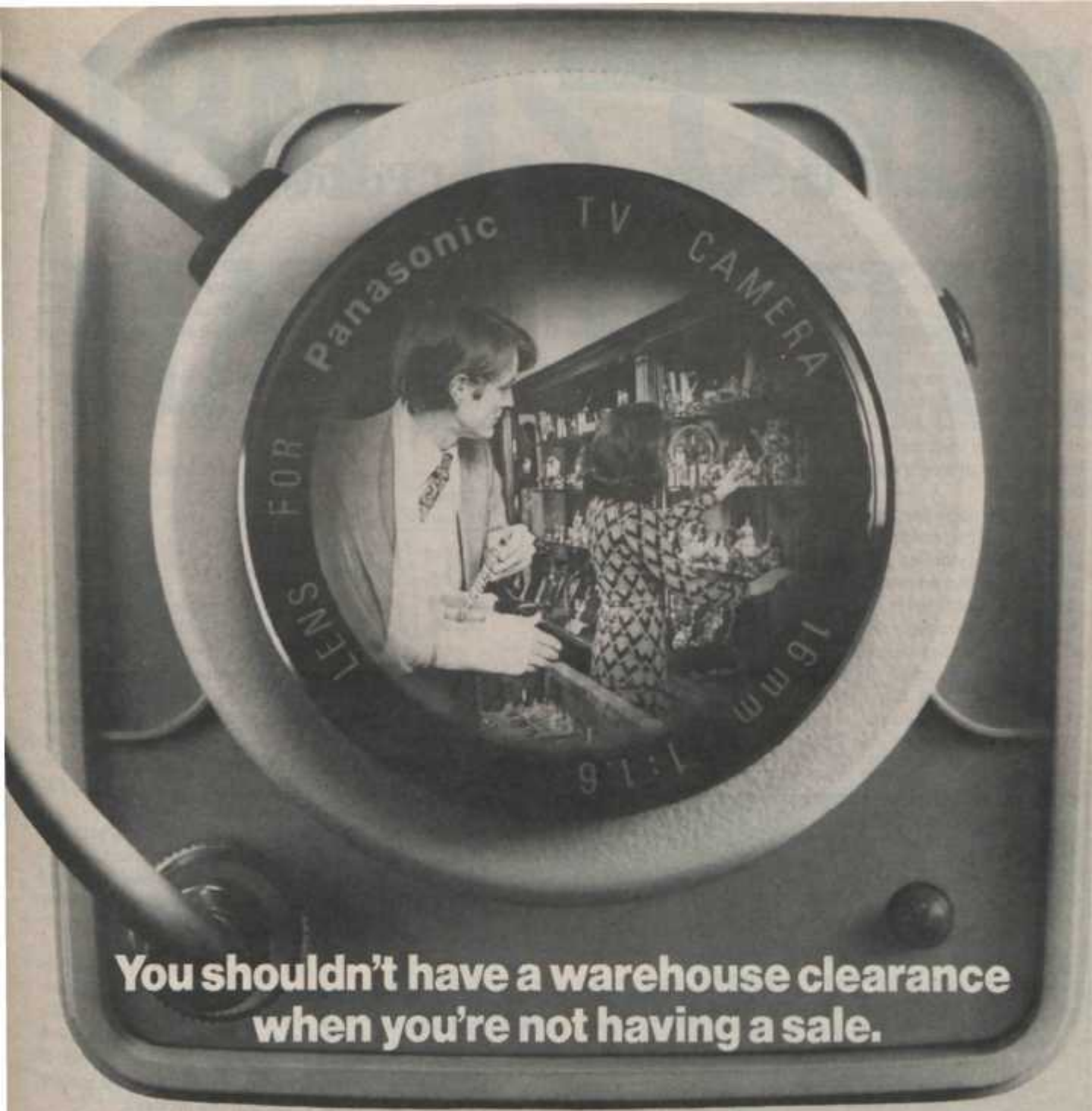
What happens next? If stock seems undervalued, arbitrageurs begin to buy it, hoping for a gain after liquidation.

Control passes to those backing break-up.

Raider's profit comes from appreciation of original stock purchase.

Especially vulnerable: Conglomerates with shares selling for less than potential value of the company's component parts.

Mr. Cheney is executive vice president of Hill & Knowlton, a New York public relations firm.



You shouldn't have a warehouse clearance when you're not having a sale.

Every day is "sale day" to a thief. But not if you're keeping a close watch on things. And with Panasonic Closed Circuit TV (CCTV) you can.

Whether you're running a national chain or a single store, Panasonic has the CCTV equipment you need to deter a thief—or catch him.

For example: Not one, but six vidicon cameras with more than enough sensitivity for most surveillance needs. Where even more sensitivity is needed, six Newvicon® cameras, that can virtually see in the dark. So thieves can't rob you blind.

But a camera is only as good as its monitor. And with Panasonic, you get a picture that looks just like the real thing, whichever model you choose. From 5" up to 19," measured diagonally.

Still, there's more to Panasonic CCTV than meets the eye: Everything from remote control boxes to pan/tilt mechanisms that let you follow a thief without getting out of your chair. To time-lapse video tape recorders that let you record up to 108 hours and scan it in a single hour.

Fill out the coupon now and get the goods on a Panasonic CCTV System before thieves get the goods from you.

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In Canada, contact Panasonic Video Systems Department, Mississauga, Ontario.

The Bottom Line of Profits

The radio stations and the newspapers are often careless in their reporting of profits. They will report that profits are up 75 percent, but they don't say up from what.

Many television people seem to take great pleasure in reporting the oil companies' big profits. But they don't bother to explain that many oil companies have less return on a dollar than other businesses.

There is only one way to judge a company: How much money does it make for every dollar invested? A company with a big investment will spend more and earn more actual dollars than a small company. But the return on each dollar may be smaller.

Oil companies deal in very large sums. They have big investments. They risk large amounts in search of oil and gas—and often lose. Their profits may be expressed in big figures. On the other hand, as official figures show, some smaller companies may have less investment but higher earnings.

Here are some figures from five 1978 annual reports, all of which have been submitted to the Securities and Exchange Commission.

Company	Return on Assets	Return on Equity
Mobil	5.2%	13.1%
Exxon	6.9%	14.0%
Texaco	4.4%	9.0%
Coca-Cola	15.5%	22.6%
Washington Post Co.	16.6%	31.7%

The Coca-Cola Co. and the Washington Post Co. are far better investments than Mobil, Exxon, or Texaco. Both give their investors more profits per dollar invested than do the oil companies that are so vital to national survival.

And remember, investors are not monsters. They are common people—men, women, children—in all parts of the country.

EARNEST HOBERECHT
President
Blaine County Abstract Co., Inc.
Watonga, Okla.



THE CASE FOR SAVINGS AND INVESTMENT

Private enterprise thrives when capital earns a profitable return. Today, the larger share of returns on private capital goes to government, a basis for widespread concern. The National Chamber has responded with an authoritative study and report that answers questions on causes of the problem, what's needed in the way of government change and—perhaps most important—what you can do to improve the climate for savings and investment.

"Public Policy and Capital Formation" is must reading for every business person whose income and financial opportunities are being diminished in today's economy and who wants a role in generating positive change.

Order your copy now. $3.00 each—publication #5836: Chamber of Commerce of the United States. 1615 H Street, N.W., Washington, D.C. 20062.

Uniform policy

The NBC television network does not accept editorial advertising on controversial issues because we believe the public is better informed about these issues from news programs produced by disinterested professionals. This is why we turned down three advertisements submitted by Kaiser Aluminum & Chemical Corp. [Sound Off to the Editor, August]

NBC's position is consistent with the rulings of the Supreme Court, which has recognized that a refusal to accept such editorial advertising is in keeping with broadcasting's public interest responsibilities.

The court found that if broadcasters were required to carry editorial advertising, not only would journalistic discretion be compromised, but also there would be a danger that the views of those advertisers with the most money would dominate the airways.

NBC's policy is uniformly applied to all advertisers, irrespective of their viewpoints or the subjects they seek to address.

M. S. RUKEYSER, JR.
Executive Vice President
Public Information
National Broadcasting Company, Inc.
New York, N. Y.

Previous decision

Your Sound Off to the Editor feature cites one Supreme Court ruling, but ignores another decision that is more closely related to the advocacy advertising issue.

Whether TV networks should sell time for private opinions was decided by the Supreme Court in 1973, in *CBS*

IBM IS ONLY HALF RIGHT.

They tell you—in seminars, magazine ads and TV spots—that today's technology enables the smallest business or smallest big business department to own a computer. And they're dead right.

What they don't tell you is that you can—and should—be doing your word processing on the same system. Frankly, their small business computer doesn't do word processing.

CADO's does.

And not just plain vanilla word processing. But an all new systems approach to text files and their use.

CADO's document-oriented word system lets you prepare or edit text files simultaneously with data processing tasks like billing, payroll, or payables. And CADO's word system lets you merge database records like customer or client files with text files. It automatically inserts names, addresses, balances or other personalized data on letters, forms or collection notices. Pagination, line numbering, page balancing, and global search & replace are all standard features! Communications? Of course.

What's more, CADO includes—free of cost—JUST ASK. It's a simple, English-language method that not only generates your own reports...it defines, enters, and utilizes data files as well!

So, for the first time, you have a system that keeps track of personnel, property, papers, and dozens of other things...writes letters or reports about them ...does it all without knowledge of programming expertise!

Finally, there is CADO software. Your nearby CADO dealer has general accounting packages and specialized industry applications...all on a turnkey basis.

The cost? Just $3.25 an hour which includes: 3 CRT terminals, a typewriter quality printer, and file capacity equivalent to 7.2 million characters of IBM formatted files. Optional high speed line printers and larger disk files are available.

Don't be half right. Write or call CADO now for your free 12-page color brochure on the system that does the whole job...at a price that's 100% right!

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NB-2

Argentina TODAY

A MONTHLY COMMENTARY ON DEVELOPMENTS #2

Economic Recovery + Growth Mean Opportunities

In 1978, the Argentine GNP surpassed $50 billion and the per capita income reached $2,100 per year . . . occupying 28th place among countries with the highest standards of living.

The annual growth rate of Argentina's per capita income was 2.8 percent during the 1970-78 period.

Argentina has a developed industry which encompasses a vast range of sectors, from food products to goods incorporating a high degree of technology. Forty-one percent of our Gross Domestic Product originates in the industrial sector; 44 percent in services; and only 15 percent in farming; yet farm products constitute 75 percent of Argentina's total exports.

The nature of the soil and the climate make Argentina particularly appropriate for cattle breeding and extensive farming. During the last three years, farmers have reacted rapidly to the stimuli of free pricing and free trade, with notable increases in their output and productivity.

The total production of grain and oilseeds reached a historic record in the 1978-79 harvest, with 32 million tons, and the average of the last three harvests surpassed the average of the seven previous years by 31 percent.

Output of Grain
(millions of tons)

Year	Output
1972/73	27.3
1973/74	27.0
1974/75	22.3
1975/76	23.7
1976/77	31.5
1977/78	29.2
1978/79	32.0

SOURCE: National Grains Board.

International Reserves

End of	US millions
1973	$1,462
1974	1,411
1975	620
1976	1,812
1977	4,039
1978	6,037
June 1979	8,513

SOURCE: Argentine Central Bank.

Argentina's domestic grain consumption amounts to less than half the output, for which reason large surpluses exist for export. The increase in production in recent years was translated into a big expansion of farm exports, which contributed to solving the external crisis which the country faced in March 1976.

In 1975, Argentina's total exports added up to $3 billion, while in 1978 exports reached $6.4 billion. Between 1976 and 1978, the surplus of the balance of trade totalled almost $5 billion, which, added to the inflow of foreign credits, permitted the country's international reserves to reach unprecedented levels.

The international currency reserves of June 1979 represent 18 months of imports, which allows the high level of economic activity, which Agrentina is currently registering, to be maintained.

The forecasts for the main economic variables for the remainder of 1979 indicate that the GDP will continue to grow at a steady pace, as it has during the first half of the year. This is a clear indication that the country's economic activity has definitely overcome the recession experienced in recent years. A similar performance is expected from the headings composing global demand.

This monthly column of information reports on developments in the Argentine Republic, and is sponsored by the Ministry of Foreign Affairs & Worship, San Martin Plaza, Buenos Aires, Argentina.

Readers' inquiries are welcome

v. *Democratic National Committee.* The court refused to compel broadcasters to sell advertising time to those seeking to present their views on public issues and held that there is no First Amendment right of access to broadcast time.

It has long been the policy of CBS not to accept editorial advertising. We believe that the public interest is best served when views on public issues are presented in journalistic formats rather than in advertising advocating one position or another. To act otherwise would allow those with the most money to speak the loudest and with the greatest frequency.

GENE P. MATER
Vice President
CBS/Broadcast Group
New York, N. Y.

Equal time distinguished

The concept of equal time in broadcasting applies only to political candidates. The fairness doctrine requires that stations present all sides of a controversial issue of public importance, but it does not call for equal time. The broadcaster determines what constitutes fair treatment.

The networks are not really licensed by the Federal Communications Commission and thus are not subject to their rules. Because they have affiliates and own stations, they tend to follow the same rules, but technically they are not controlled by the FCC in the same sense that over-the-air broadcasters are.

These may seem to be petty points, but for broadcasters they are significant, particularly when dealing with the public.

LYNN E. HIGBEE
General Manager
Alf M. Landon Radio Stations
Topeka, Kans.

Indifferent candidates

I must take issue with your article on "The Indifferent Americans." ["Campaign '80: Ready or Not, It's Here!" Sept.] I suggest it is not the American electorate that is indifferent, but rather the sorry spectrum of candidates for whom we are asked to vote. If the choices were not so pathetic, the voters might not be apathetic.

When only 54 percent of eligible voters physically go to the polls, the 46 percent not making the trip are also voting—for rejection. It would be interesting to see what would happen if we had the opportunity to cast a vote for none of the above candidates.

Never before has Xerox offered such a small selection.



The new 2300 | The 660 | The 2600 | The 3100 | The 3100 LDC



The 3107 | The 3109 | The 3400 | The new 3450

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We no longer have a truly representative democracy when we elect politicians with less than a majority of the eligible vote.

GEORGE H. MUNSTER, JR.
President
Munster, Grom, Owston & Lantz
Akron, Ohio

Left out

Your article on Campaign '80 ignores the Libertarian Party, the only free enterprise political party existing in the United States today.

A magazine aspiring to be the business advocate should at least mention this pro free enterprise party.

RONALD L. WEBSTER
President
Rigid Form, Inc.
Richmond, Kans.

The pro-life issue

Your survey of campaign issues was broad enough, but somewhat shallow in terms of the 1980 issues and what they portend for the nation and its economic future.

It is long overdue for analysts to take note of the ultimate effects of zero population growth on U.S. productivity and economic health. These effects have already resulted in teacher layoffs, school closings, and slowdowns in child-oriented industries.

What will be the result when the zero-growth effects begin to hit the work force, with fewer taxpayers and more elderly dependents receiving social security?

The philosophy that would have the nation believe that abortion is morally neutral and defensible may ultimately be exposed only when it reaches into the nation's pocketbooks.

THE REV. CHARLES C. FIORE
Chairman
National Pro-Life
Political Action Committee
Chicago, Ill.

Bad taste

Basically, I agree with James J. Kilpatrick's comments on junk food in cafeterias. ["Farewell the Lollipop," Sept.]

I have had three children go through the hot lunch programs in schools. The amount of food wasted is tremendous. But it isn't always the students' fault. Have you ever tasted some of what these kids are supposed to eat?

My children will eat just about anything—they have had to—but many times, they have come home from school saying they had no lunch because it was horrible. My daughters started taking sack lunches because the hot lunches were so bad.

The first time I tasted the food was at an athletic banquet at the junior high. I couldn't believe it. No wonder the kids complained so much.

Congress needs to look into some of the real reasons junk food is being eaten. At least the kids can usually count on it tasting good.

NANNETTE E. MCCONNELL
Danville, Ill.

Sadly mistaken

James J. Kilpatrick is sadly mistaken if he believes that most children receive adequate nutritional education at home and that those few who do will make wise decisions when confronted with temptation and peer pressure.

As a registered dietitian who has worked in school food service, I can attest to the disheartening experience of seeing parents' hard-earned cash being spent on snacks rather than on lunch.

As a parent of children now grown, I would have liked to have been assured that my carefully counted coins were going toward food rather than empty calories.

As a taxpayer, I'd like to think that the national school lunch program bucks are nourishing youngsters without the competition of highly advertised "foods of minimum nutritional value."

Down with Kilpatrick's school lollipop!

LAVON G. URBONAS
Hacienda Heights, Calif.

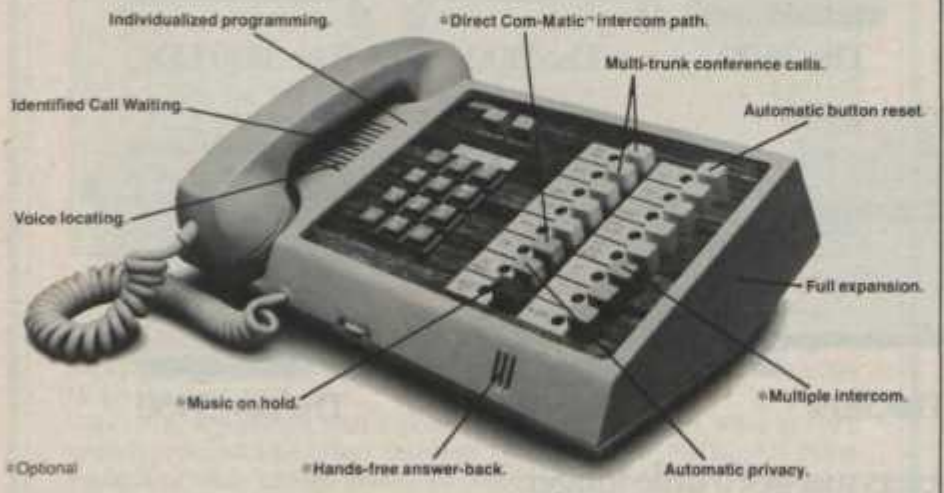
How much self-control?

Some medical and nutritional authorities feel that simple refined sugars can and will cause many children to be too energetic when they're supposed to be sitting still in class. When the blood-sugar level drops, the children become lethargic and inattentive.

Although I agree with Mr. Kilpatrick's basic objection to government interference, I am not sure he is right on this issue. How much self-control can youngsters be expected to have if exposed to junk foods daily, and especially before meals? In a sense, the school is a surrogate parent for children five or six hours each day.

If we are to have government interference, does it really matter from which level we get our hands slapped?

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SEPTEMBER SOUND OFF RESPONSE ON PAGE 24.

Is Another Federal Committee the Answer?

CAN A tripartite pay committee help cool inflation? This board is the latest brainchild of the Carter administration in its ongoing program of attempting to control inflation by voluntary wage and price guidelines.

During the first year of the voluntary guideline program, everything was vested in the Council on Wage and Price Stability, which has outspoken Alfred E. Kahn as its chairman. A few months before the controversial program completed its first year, the administration sought input from both business and labor on changes to the guidelines.

Now a further step has been taken in the establishment of a pay committee under the direction of Prof. John Dunlop of Harvard, who headed the pay panel under President Nixon.

The theoretical advantage of a tripartite pay committee to advise on wage guidelines is that its actions will have more credibility than those of the Council on Wage and Price Stability, which has as members the secretaries of Treasury, State, Commerce, Labor, and Housing and Urban Development, plus the director of the Office of Management and Budget and the assistant to the President for domestic affairs and policy.

Adviser members are the Attorney General; the secretaries of Interior and Health, Education and Welfare; and the special representative for trade negotiations. Proponents of the pay committee say that having six representatives each from labor, business, and the public will foster confidence on the part of consumers, investors, and workers. These groups, say proponents, will be more inclined to cooperate, and this will dampen inflationary spending and the resulting demands by labor for higher and higher wage increases.

Opponents of the tripartite committee concept argue that it is nothing more than a ploy on the part of the administration to legitimize the guidelines, which they contend are neither needed nor effective but only perpetuate wage increases unrelated to productivity.

They contend that business representatives will be outvoted because the administration has an accord with the labor members and can expect support from its public-member appointees. The end result is that business will always look like the bad guy and end up being the scapegoat.

What do you think? Can a tripartite pay committee help cool inflation? Or does the solution depend more on fundamental changes in fiscal and monetary policies? □

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Can a tripartite pay advisory committee help cool inflation? □ Yes □ No

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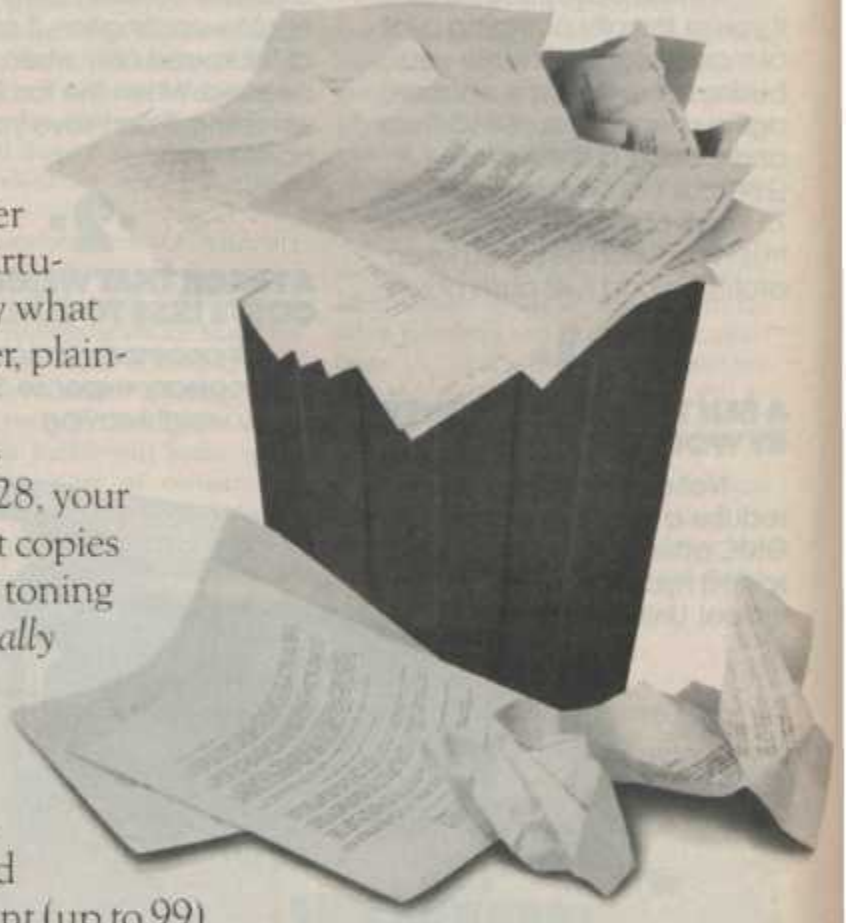


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How to Cut Your Income Tax to Zero

Tax laws say you don't have to pay taxes even if you earn between $15,000 to $35,000 or more!



Mark Haroldsen feels that paying more taxes than you have to is a waste. Learn how you too can begin to legally cut your taxes to zero.

Nobody likes to pay taxes. And the tax laws in this country say you don't have to.

Most people think that the wealthy are the only ones who can save thousands of dollars each year on their taxes, but anybody with an average income can take advantage of the tax laws.

Let me explain exactly what I mean. Tax shelter's are nothing more or less than taking advantage of the tax laws that were put there for a reason. The reason is to help you and motivate you to invest so you will help the economy of the United States. (Your investment doesn't have to be cash, either. It can be just a bit of your time.)

The key to saving on your taxes is a little thing called "depreciation". You see, the U.S. Congress years ago decided that depreciation on certain kinds of properties could be deducted from your taxable income. Depreciation in theory means that your property goes down in value because of physical as well as functional deterioration even though, as we all know, in real life those same properties actually go up in value every year.

Here's a simple example: Let's say you bought a $75,000 income property and you bought it entirely with someone else's money — and I can show you how to do that — how much depreciation and tax savings would that give you?

First of all the monthly rent you'd receive from your property would pay off your loan (this is called a self-liquidating loan) so you'd end up with a property that was paid for by someone else. And that's not even counting the tax advantage.

The good news is that your property would give you $6,250 in depreciation—all of it would be deducted from your taxable income.

But that's not all. If you are now making $20,000 a year and you bought three properties like the one above you could cut your income tax bill to zero. (Both federal and state.)

But that's still not all. By using your cash rebate wisely you can improve your properties by ten to thirty-five percent and that would increase your net worth by $22,500 to $78,750 a year. (Inflation by itself will do a lot of your work.)

So now, even if your income is only $15,000 to $35,000 a year, you can quite easily acquire enough property with enough depreciation that your tax bill is zero or close to it. And you can buy those properties without any cash of your own.

But wait a minute you say, how do I buy property with other people's money and increase my net worth by so much without paying taxes? Well, I thought you might ask so I'm ready with the answer.

In fact, I wrote a complete book about it. Now don't get upset and stop reading now! I know most books written on tax shelter and the buying of income property are fairly difficult, complex and confusing, but mine is not. I wrote it in language which anyone can understand and I know it works, because I've done it myself. In just 48 months I netted over one million dollars and paid less taxes in those years than the guy that makes $20,000 a year.

So now here comes the sales pitch! I want you to stop paying so blasted much in taxes. Not because I'm trying to start a tax revolution, but because tax laws are there that allow you the privilege and advantage of not paying any taxes, and maybe our friends in Washington might get the general hint that we want them to spend less of our money.

Oh, yes, and I want to sell copies of my book *HOW TO WAKE UP THE FINANCIAL GENIUS INSIDE YOU!* This will not only show you how to save thousands of dollars on your taxes (or even reduce them to nothing) but it also will show you how to build a very large net worth of several hundred thousand dollars or add $500 or $1,000 to your monthly paycheck.

Now, if you can't quite believe everything I've said (I don't really blame you. Most people, including myself, are basically sceptics.) then I would encourage you to check me out. Call or write my bank (Utah First Bank), or the Salt Lake Chamber of Commerce, all in Salt Lake City, Utah.

Also, when you order, why don't you postdate your check by 30 days — and I guarantee and promise I will not cash your check for at least 30 days, thereby giving you time to read my material and benefit from it. If there's anything and I mean anything at all you don't like, then send my book back and we'll send you your check back the same day.

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Here's a small list of some of the things that this publication is guaranteed to do for you. It will show you how to:

- Shelter your income by legally avoiding paying federal or state income taxes.
- Add cash to your monthly salary.
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BY JAMES J. KILPATRICK

Unchained Bureaucracy Gone Berserk

EXAMPLE NO. 1, the private schools. Example No. 2, the funeral parlors. Example No. 3, the two-buck bill and the Anthony dollar. Going back a couple of years for Example No. 4, consider the Transportation Department and the ignition interlock. My theme is the arrogance of the bureaucracy, and my question is as old as the art of government: How best do we impose restraints upon power?

In the administration of public affairs, power is the name of the game: How to win power, hold power, and lose power. The Founding Fathers had corollary concerns: How much power should the people vest in their government? Where should power be distributed? What mechanisms could be written into law to prevent or to punish the abuse of power?

These were the grand considerations at Philadelphia in the summer of 1787, and they dominated the ratification debates of 1788. Most of the political leaders of the time felt that the Articles of Confederation delegated too little power to a national legislature. Their purpose was to fashion a new government with greater, but not unlimited, authority. In drafting the Constitution, the framers struggled to keep those two imperatives in balance—more power, but not too much power.

THEIRS WAS A WORK of political genius, justifying Gladstone's extravagant praise: "The American Constitution is the most wonderful work ever struck off at a given time by the brain and purpose of man." The 55 members of the great convention came up with a charter that delegated power with one hand and snatched it back with the other. The Constitution, in conjunction with the Bill of Rights, is a marvelously intricate arrangement of checks and balances, of power granted, power circumscribed, and power forbidden.

The underlying philosophy was summarized at Virginia's ratification convention. "All delegated powers," said John Marshall, "are liable to be abused. The object of our inquiry is: Is the power necessary? And is it guarded?" George Mason thought entirely too much power was being vested in the national government. The taxing power alone, he said, "must carry everything before it." Patrick Henry, the most eloquent foe of the Constitution, scoffed at the framers' handiwork. "There will be no checks," he cried, "no real balances, in this government. What can avail your specious, imaginary balances, your rope-dancing, chain-rattling, ridiculous, ideal checks and contrivances?" And that wise countryman, William Grayson, put the matter in a single prescient sentence: Power ought to be granted, he said, "on a supposition that men will be bad, for it may be eventually so."

The framers devised two principal safeguards and a host of lesser ones. Power was to be restrained through a double process of fragmentation and containment—federalism and the separation of powers. By federalism, they meant the division of powers between the national government and the states, and in the one constitutional amendment demanded more insistently than any other, the Founding Fathers nailed it down: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people." By separation of powers, they meant the distribution of authority among the executive, legislative, and judicial branches. Pendleton drew three circles, each touching but not intersecting the other two. To Madison, the concept embodied "the



sacred maxim of free government." Hamilton believed this principle rested at the very heart of the Constitution. Separation of powers, said Jefferson, "is clearly the spirit of the Constitution."

SO MUCH for history. Those of us who cover Capitol Hill are hearing echoes every day. The same apprehensions that concerned Grayson and Henry and Mason in 1788 are sorely troubling such senators as Jesse Helms (R.-N. C.), Harrison Schmitt (R.-N. M.), and Dale Bumpers (D.-Ark.) today. The question hasn't changed in 191 years: How best do we impose restraints upon power?

For the past several years, the Internal Revenue Service has been endeavoring to rewrite Section 501(c)(3) of the tax code. This is the section under which certain exemptions are granted to educational institutions. Without a scintilla of authority from Congress, the IRS by its own naked fiat proposes to define approved educational institutions solely in

terms of racial balance. Those institutions that meet IRS notions of racial acceptability would be exempt; contributions to such institutions could be deducted in the preparation of individual income tax returns. But those institutions found to be unsatisfactory would effectively be destroyed. It is the rare nonprofit school that could survive without Section 501(c)(3).

When the IRS first proposed this dictatorial decree, the public response was deafening. More than 100,000 protests poured in to Congress. Members of Congress complained that under the rule private schools would be guilty until they could demonstrate their innocence. The IRS was unmoved. Such is the arrogance of bureaucracy that the IRS declared its absolute determination to proceed willy-nilly. A group of outraged representatives in the House, led by Rep. Robert K. Dornan (R.-Calif.), and a handful of burned-up senators led by Sen. Helms wrote into an appropriation act a specific amendment to forbid the IRS from imposing its will.

Such policy-fixing amendments to appropriations acts ordinarily are ill-regarded. In theory, policies should be set by regular, substantive legislation. By the same token, it ordinarily is regarded as a bad piece of business—a violation of the principle of separation of powers—for Congress to provide itself with a legislative veto over the exercise of powers by an executive agency. But Sen. Schmitt, increasingly troubled by the swelling power asserted by the Federal Trade Commission, asked himself the old question: If the FTC abused its powers, how could the abuse best be prevented and the power most effectively restrained? Suppose, he says, Congress feels that a pending regulation on funeral parlors should not be imposed. The FTC is determined to impose it anyhow. Appellate review will take years and will put protesting funeral directors to enormous expense. Sen. Schmitt's answer—an answer that is commanding increasing support—is to provide that no trade regulation can become effective until Congress has had an opportunity to block the rule by legislative veto.

IN ORDINARY COURT REVIEW, the regulations of an executive agency begin with a presumption of validity. It would be automatically supposed that the IRS had power to impose racial quotas upon private schools; it would be taken for granted that the FTC had power to make funeral directors itemize their prices. Sen. Bumpers has succeeded in upsetting this comfortable proposition. He sponsored an amendment directing the courts to dismiss such assumptions of validity and to examine every challenged regulation in terms of the basic legislation on which it is premised.

Congress is moving in other ways. The masters of our coins and currency are stuck with two lemons, the $2 bill reissued in the spring of 1976 and the Susan B. Anthony dollar issued last summer. In every conceivable fashion, the people have made it clear that they want no part of the two and the Susie. Cashiers in supermarkets routinely set the things aside for prompt return to banks. The bill and the coin were bureaucratic blunders. But will the bureaucracy accept the public's verdict? Not at all. The Treasury and the Federal Reserve, unabashed, appear determined to compel the people to use the two and the Susie by phasing out the $1 bill. This process could begin as early as next spring. Apparently, it will take an act of Congress to preserve the $1 bill as a medium of exchange.

An act of Congress, you will recall, was required a few years ago when the Transportation Department in an exercise of unbridled arrogance imposed upon the motoring public the infuriating device known as an ignition interlock. This sounded a loud and unceasing buzzer if a driver failed to fasten his seatbelt. Not until former Sen. James L. Buckley of New York obtained congressional action would the recalcitrant bureaucrats relent.

EXAMPLES could be multiplied endlessly. Our putatively free society has become a regulated society. Given the authority "to adopt rules and regulations having the force and effect of law," executive agencies have cast off the reins of self-restraint. Zealous men and women, eager to pursue their particular crusades, propose, adopt, and enforce their requirements upon businesses, individuals, and state and local governments. It is highly doubtful that Congress ever dreamed it was giving power to the bureaucracy to decree that equal sums must be expended on male and female athletics. I have yet to meet a member of Congress who will acknowledge having voted to prohibit father-son dinners, or boys' choirs, or all-girl school orchestras. Such lunatic rulings are the output of a bureaucracy gone beserk. How can such abuses be restrained?

It is an inadequate answer to say that the courts exist to override excesses of the executive branch. The federal courts themselves often exhibit an arrogance surpassing that of the regulatory agencies. In the beginning, it was supposed that the judiciary, having power over neither the purse nor the sword, would always be the weakest branch. The folly of Hamilton's supposition is demonstrated every day on the federal bench. The judge who enjoys life tenure has no fear of impeachment; that threat, as Jefferson said, is "not even a scarecrow." There is bound to be some effective way of preventing the Supreme Court from amending the Constitution in the guise of interpreting the Constitution, but no wise man has yet hit upon it.

WE MUST KEEP SEARCHING. Wisconsin has an interesting approach. There, a legislative oversight committee of five members from each house has authority to suspend any rule or regulation of a state agency until the entire legislature can act upon it. This process is second-guessing the public officials who have been vested with responsibility in their particular areas, but some form of second-guessing may be required when the bureaucracy's first guesses are patently offensive.

There are no perfect answers, but the years have taught the wisdom of Jefferson's assertion that "free government is founded in jealousy and not in confidence." In questions of power, said the sage of Monticello, let no more be heard of confidence in man, "but bind him down from mischief by the chains of the Constitution."

Against the pervasive mischief of the federal bureaucracy, still stronger chains are needed now. □

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Salt II Fails Trust Test

THE SALT II treaty still has not found its way out of the Senate, and the Carter administration continues to fight an uphill battle for its ratification.

Opponents say it does not sufficiently limit nuclear armaments, does not guarantee adequate verification, and allows the Soviets a nuclear arms advantage.

Proponents disavow the idea of nuclear superiority and hold that SALT II recognizes the essential equivalence of the U. S. and Soviet nuclear arsenals.

In September, NATION'S BUSINESS put the question of ratification to its readers. The result was an overwhelming vote against approval of the treaty.

"We are poor students of history," says Stanley H. Young, president of Tyler Refrigeration, Inc., Seattle, Wash., "if we seek to accommodate nations who are openly aggressive. Chamberlain tried it with Hitler. It never works. Only if we maintain military superiority can we ever be assured of real peace."

Harry F. Moore, president of Emtrol, Inc., Lancaster, Pa., also is against ratification of SALT II. He says: "The Russians appear to be courting the United States with a lull in their usual mischief around the world in order to get senate approval of SALT II. The fact that the Russians want this agreement so badly is suspicion enough to go easy on approval. I haven't heard a convincing word about what this agreement will do for our country."

"Why can't the U. S. government face up to the realization that a treaty with the Soviet Union is meaningless?" asks J. R. Joyner, manager of gas and water engineering, construction and design, for Central Louisiana Electric Co., Inc., Pineville, La. He feels that the Soviets will use SALT II to gain advantages and then discard it when their purposes have been served. "I feel," he says, "that the treaty would only be another handicap for the United States and would have no effect on the preparedness of the Soviet Union."

Andrew H. McCutcheon, Jr., director of public affairs for Reynolds Metal Co., Richmond, Va., is a supporter of the SALT II agreement. He says: "Agreement on a SALT II treaty is vitally important. No negotiated pact with the Soviets will ever be totally satisfactory from our point of view, but the continued communication and negotiation is preferable to a nontreaty climate in which Soviet military spending will be unrestrained."



Margaret Talavera, vice president, Danny's Draperies, Inc., Tampa, Fla., opposes SALT II. She says: "We will be taking a big chance of losing warfare supremacy."



"Peace through strength instead of peace through parity," says J. Richard Mellet, president, Braun-Brumfield, Inc., Ann Arbor, Mich. He is against the treaty.

Madelaine Lance Benning, president of Zebra Sportswear, Yellow Springs, Ohio, agrees. "Any effort that can help establish the remotest possibility of world peace is worth pursuing."

Another supporter of SALT II is Buck Miller, owner of Buck's Services, Hershey, Pa. "Any escalating of the arms race is immoral, illogical, and potentially dangerous," he says. "I am not willing to have my children live under the same cloud that I have lived under all my life."

SALT II gets a no vote from Herman C. Hartung, southwest region manager of NTN Bearing Corp. of America, Lewisville, Texas. "We must remember that the Russians face their greatest threat from China. If they can neutralize the United States through treaty, a great deal of pressure will be removed from their economy."

"The communist philosophy never supports any compromise to their disadvantage," says Dale R. Molesworth, administrator of the Hattiesburg Clinic, Hattiesburg, Miss. "Therefore there is no security to be obtained by the United States in accepting the treaty. If we abide, they will conquer."

According to Louis Albert, president of Louis Albert Menswear, McAllen, Texas, the SALT II treaty in its present form is a license for the Soviets to cheat. "They understand one thing," he says, "strength and the ability and will to use it. Today, and the next few years, will be critical to our country because our defense program has been hamstrung by politicians."

"I am not in any way convinced that the U. S. S. R. is sincere in its promise to comply with the terms of SALT II," says Henry J. Torti, director of marketing and contracts for GAP Instrument Corp., Hauppauge, N. Y. "The verification procedure is not adequate for the risk."

William Weiss, president of the Rotary Co., Inc., Buffalo, N. Y., also opposes SALT II. "The Soviets have broken every treaty promise they ever made and SALT II will be no exception. We have become a nation of cowards, afraid to use our strength." □







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(plus p&p)

Accurate to within 60 seconds per year, this minuscule battery powered Quartz alarm clock gives you precision wherever you go.

Now this unique battery powered Quartz alarm clock is available in this country only from Columbia-Quartz. Made in Germany with patience and precision.

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Every aspect of this clock has been carefully thought-out.

The Deluxe Model illustrated here has a smashing wood grain finish.

A concealed light which works from the side switch is an extra nicety.

An easily-available 1.5 volt battery provides power for about a year — a battery is included.

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OUTLOOK

THE ECONOMY

Relaxed Air Quality Rules Will Spur Building

It will soon become easier to build new industrial facilities in many parts of the country, thanks to proposed changes in the air pollution regulations.

The Environmental Protection Agency's new air quality rules are looser than the old rules in some respects and tighter in others. The changes stem from a decision by the U. S. Court of Appeals for the District of Columbia, in *Alabama Power* v. *Costle*, which challenged some of EPA's rules on preventing deterioration of air quality.

A major change is that fewer new pollution sources will be subject to the rules. The change affects new or modified factories and other plants in areas where air quality is better than national standards. Previously, these sources were covered if they emitted either 100 or 250 tons of pollutant a year, depending on the nature of the plant, before control equipment was applied. Now, those threshold figures are to apply only after installation of controls.

Another significant easing of the rules would permit plants to offset increases in some pollutant emissions with reductions in other emissions at the same site.

On the other hand, the number of pollutants covered is to be expanded. Present rules cover only sulfur dioxide, particulates, carbon monoxide, nitrogen dioxide, ozone, and lead. The proposed rules would apply to all pollutants regulated under the federal Clean Air Act.

The court also ruled that air quality regulations can apply to plants in nonattainment areas only if their pollutant emissions affect a clean air area in another state. EPA has petitioned for a reconsideration of this decision.

PHOTO: LAURENCE PRINGLE—PHOTO RESEARCHERS, INC.



Air pollution regulations will be eased for many companies when the Environmental Protection Agency adopts new rules in line with a recent court decision.

Engineers May Be Leading Indicator

If you want to know what direction the economy is likely to take, look at high technology hiring, says Deutsch, Shea & Evans, Inc., a New York consulting and advertising firm.

The firm, which has published an engineer-scientist demand index for 18 years, now has a new and more sophisticated high technology recruitment index developed by Prof. Derek de Solla Price of Yale University.

Prof. Price says the index is an important forecasting tool that quickly and accurately depicts major changes in the high technology areas that have become critical to the U. S. economy.

The index, he says, "runs about four months ahead of any other indicators because of the lead time between hiring engineers and scientists and the letting of new contracts."

The hiring comes first, he explains, because "last year's engineers are no good for this year's engineering." When an industry plans new research and development, he says, it looks for fresh minds to tackle the problem. And it is this early recruiting that the index reflects.

More Data Urged for Jobless Figures

The Carter administration has received recommendations from the National Commission on Employment and Unemployment Statistics to make the information comprising local and national jobless figures more comprehensive.

The commission wants to include the armed services in national employment totals. It also wants to measure the economic hardship status of individuals who are employed but still require welfare assistance for their families.

The commission does not want to incorporate the armed forces into local job statistics because, although a military installation may be in a particular community, personnel generally return to their home communities when their tours of duty end.

The size of the current population sample would also be increased from 70,000 to 120,000 households to give more information about cities with a million or more residents. More careful tallies would be made of blacks and Hispanics.

SMALL BUSINESS

323 Firms in SBA Program Are Ineligible

The inspector general of the Small Business Administration has found that 323 minority firms now participating in the agency's subcontracting program are ineligible because they violate basic standards.

Under SBA's 8(a) program, the agency acts as prime contractor to other government agencies. It then subcontracts the work to minority firms that qualify as economically and socially disadvantaged.

The inspector general's report scores the inadequacies of SBA's eligibility standards for its 1,500 minority subcontractors.

"In my view," says Inspector General Paul R. Boucher, "two conditions led to the findings and [subsequent] recommendations contained in our audit report: Vague and loosely defined procedures governing the administration of the program and inadequate management oversight and direction at the central office in Washington and in the field offices."

Although SBA declined to say if any of the 323 cases would be referred to the Justice Department for possible prosecution, the report did say that many of the firms were owned or controlled by a "nondisadvantaged entity" or, in other words, a white person.

Under SBA standards, the minority owner must be socially and economically disadvantaged, own 51 percent of the voting stock, and demonstrate day-to-day control and management.

Mr. Boucher says the 323 firms—21 percent of those in the program—did not appear to control or manage the day-to-day operations or could not prove their disadvantaged status.

Until recently, the study points out, SBA had not defined socially or economically disadvantaged. Rather, it had listed "certain factors or situations that may have been present in an applicant's background that could qualify him or her," the report says.

On Capitol Hill, Sen. Gaylord Nelson (D.-Wis.), chairman of the Senate Select Committee on Small Business, said he hoped the report would result in corrective action.

"Last October," Sen. Nelson said, "I told SBA Administrator A. Vernon Weaver, Jr., that if the mismanagement ... could not be corrected, I would take action to abolish SBA. The judgment is still open."

The inspector general and William A. Clement, Jr., associate administrator for minority small business, are working on corrective actions.

AGRIBUSINESS

Bill to Expand Water Rights Limits Farmers

The Senate has adopted a measure that increases the amount of western farmland eligible to receive irrigation water from government reclamation projects, but the same bill may prevent certain farmers from qualifying for subsidies.

While the Reclamation Reform Act, passed by a two-to-one margin, raises the amount of farmland eligible for government water from 640 acres per family unit to 1,280 acres, it changes the eligibility status.

Under the current 1902 Reclamation Act, farmers qualify for subsidies on an irrigation district-by-district basis; under the Senate version, farmer eligibility is limited to the 1,289 acres nationwide.

Ownership, meanwhile, is defined by the Senate as a family unit or an entity representing 25 people or fewer; a corporation may have no more than 25 shareholders to qualify for water rights.

The bill does carry an exemption for large corporate farms that receive subsidized water from U. S. Army Corps of Engineers projects. Also, the Imperial Irrigation District of California is exempt from requirements under the Senate bill, which has been referred to the House Interior Committee. Several other similar measures await House action.

GOVERNMENT

Conrail Could Become Profitable in 1983

It would take almost a billion dollars more than Congress has authorized, but Conrail, the amalgamation of bankrupt eastern railroads, could be self-sustaining by 1983. That's the opinion of the U. S. Railway Association, which serves as the federal banker for Conrail.

The railroad has spent $2.7 billion of the $3.3 billion in federal aid authorized through 1983.

With an additional $950 million, plus some regulatory reform legislation to allow flexible pricing, easier market entry and exit, and a paring of the 17,000-mile system, Conrail might become profitable, according to the association.

Although it favors this improved Conrail option for the three-year-old carrier, the association lists four other alternatives in its report to Congress:

- Continue current operations, which would require subsidies to continue indefinitely.
- Bar additional federal funding, which would result in plant and service deterioration.
- Separate the system into eastern and western divisions, which the association calls "not feasible."
- Package and sell parts of the present system.

Legislation, perhaps next year, will be needed to carry out any of the alternatives, says a spokesman. "The longer a decision is put off, the more it is going to cost. The estimate now is $200 million for each year of delay."

CORPORATIONS

Outside Directors' Influence Grows

Outside directors are more numerous, more powerful, and better paid than they were a few years ago.

That's the finding of a 1979 survey of the 1,000 largest industrial companies and the 300 largest nonindustrial organizations. The survey was conducted by Heidrick and Struggles, Inc., a management consulting and executive search firm headquartered in Chicago. Among the results:

PHOTO: ALAN SEIGER—UNIPHOTO



The Conrail system could become profitable by 1983, says one study. But it would take an additional $950 million and some favorable regulatory changes.

OUTLOOK

• The average board size is 12. A little more than 63 percent of the directors are outside, up from 59.6 percent in 1971.

• Outside directors chair nearly 98 percent of the audit committees, 90 percent of compensation, 84 percent of stock option, 80 percent of nominating, 75 percent of social responsibility, 63 percent of pension-retirement, about half of the finance, and only 14 percent of the executive committees.

• The nominating committee is now the most widespread method of selecting candidates for the board. For almost 38 percent of the respondents, that committee makes the initial decision; for 33 percent of the respondents, the chief executive officer makes the decision.

Nearly half of the organizations now have nominating committees, compared to fewer than ten percent three years ago.

• Directors receive $6,000 to $12,000 in compensation from almost half of the companies. Nearly 12 percent of the directors receive at least $18,000. Eighty-five percent of the organizations offer additional compensation for committee work.

Annual Reports Are Longer and More Useful

Annual reports are becoming longer, partly because of the Securities and Exchange Commission, but even more so because of their use as a promotional tool, according to a recent survey.

Corporate views on political, social, or environmental issues appeared in 42 percent of the reports sampled, says E. F. Schmidt Co., a Wisconsin firm specializing in printed communications.

The typical report now has more than 36 pages, some of them in full color. It is 8½ by 11 inches in size and printed on high quality paper. There is a photograph on the cover.

Company highlights listed cover two years. Statistical comparisons run for five years. The balance sheet covers two pages.

The president's letter is two pages long and includes his or her picture. There is also a picture of the chairman of the board. More portraits are likely to be informal—47 percent—than formal, 39 percent.

The current crop of reports is more readable and discloses more operating information than those of past years, says Schmidt. The consulting firm has sampled annual reports at five-year intervals since 1959.

INTERNATIONAL

Multinational Investment Good for Host Economies

A new and extensive study by Business International Corp. of New York City refutes widely held theories that foreign direct investment—particularly in less-developed countries—harms the host economies and hampers their development.

On the contrary, the study says, a comparison of operating and performance data from major multinational corporations with that of locally owned firms shows that foreign-owned companies outperform indigenous firms. The multinationals:

• Use resources more efficiently.

• Increase productivity and expand exports faster.

• Pay higher wages, salaries, and taxes.

• Spend more on research and development.

• Finance expansion in a more conservative manner.

• Help get financial resources and expertise flowing into the country.

The study also found that foreign-owned enterprises appear to be more beneficial to the host country than joint ventures.

TRENDS

Union Share of Labor Force Still Shrinking

The unions' share of the U. S. work force continues to decline, although union membership was a record 20.2 million in 1978, according to preliminary figures gathered by the Bureau of Labor Statistics for its biennial survey of labor organization membership.

Unions have reversed their 1974-76 decline during the past two years and picked up 604,000 more members. However, the work force grew by 5.6 million in that period, with the gains coming in service-type jobs that unions, with their traditional crafts and industrial bases, have found hardest to organize.

As a result, the unions' share of the U. S. labor force continued its gradual 25-year decline from 25.5 percent in 1953 to 19.7 percent last year.

The fastest growing unions, the retail clerks, teachers, communications workers, and state and local government employees, are service-oriented.

More Tourists Coming to U. S.

The United States is a bargain.

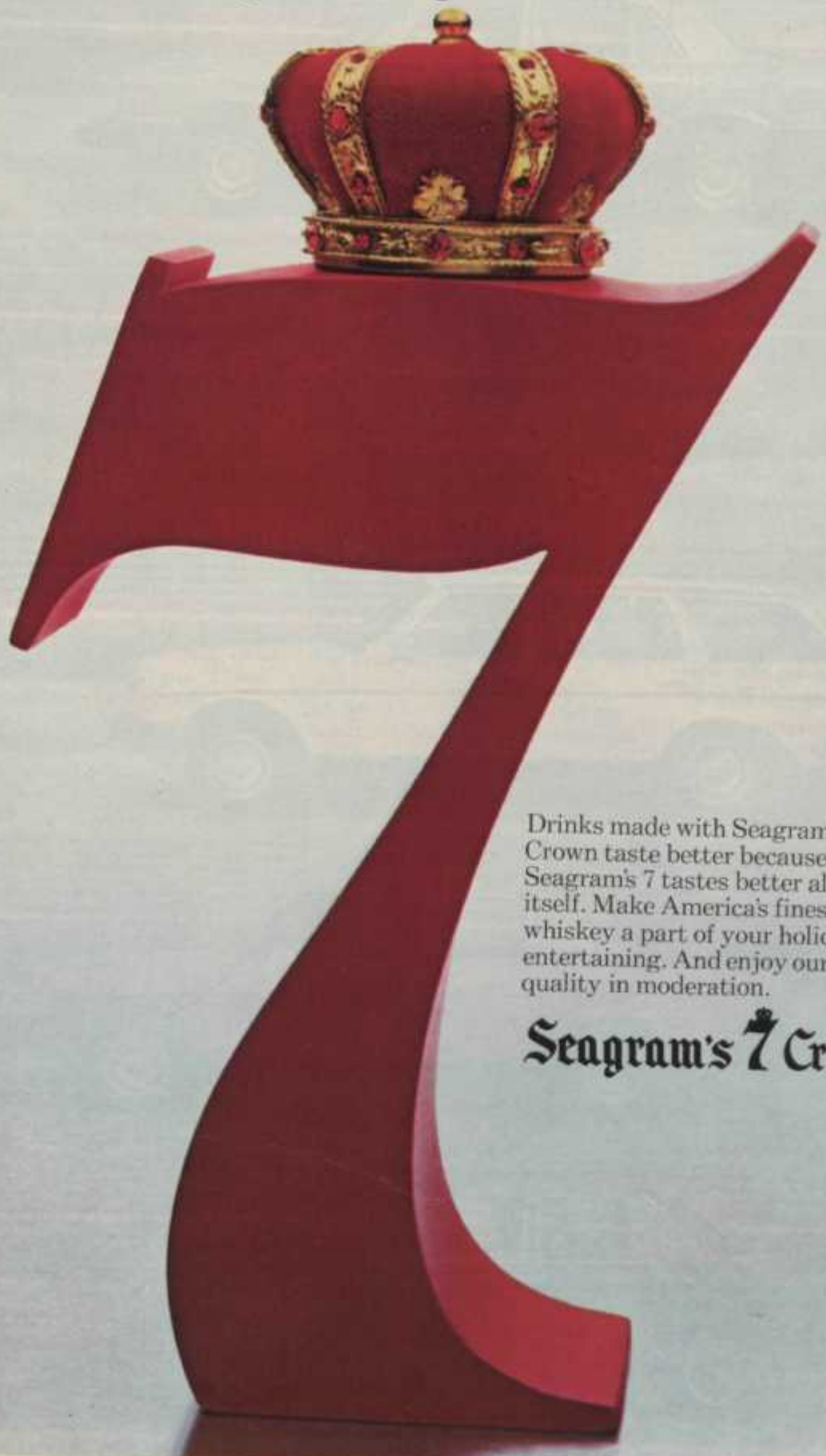
That's the word from the U. S. Travel Service. Don Wynegar, manager of international research programs at the Commerce Department agency, says: "Every recent study shows the United States as the preferred destination of international travelers." He

PHOTO: TOM MCHUGH—PHOTO RESEARCHERS, INC.



Devaluation of the dollar, high prices in Europe, and low-cost air fares are influencing more tourists to spend their vacations in the United States.

Where quality drinks begin.



Drinks made with Seagram's 7 Crown taste better because Seagram's 7 tastes better all by itself. Make America's finest whiskey a part of your holiday entertaining. And enjoy our quality in moderation.

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300 SD
300 CD
300 TD
300 D
240 D

Why choose a Diesel from a line of cars when you can choose a Mercedes-Benz from a line of Diesels?

For 1980, Mercedes-Benz builds 3 Diesel sedans, a Diesel station wagon and a Diesel coupe, 3 different Diesel engines and 2 transmissions—and no other car maker does. Such choice is only one benefit of a Diesel tradition 44 years long, and growing timelier by the day.

Take your time as you carefully examine the unique line of Mercedes-Benz Diesels. Should it be the extraordinarily efficient four-cylinder 240 D Sedan? Or is the potent five-cylinder 300 D Sedan more to your liking? Many minds and hearts have been captured by the charm and utility of the 300 TD Station Wagon. Those with a taste for the exclusive are much taken with the limited edition 300 CD Coupe. And in a class by itself is the turbocharged performance Diesel—the 300 SD.

A delicious dilemma. Choose the one that precisely fits your needs. Then prepare to reap the engineering dividends that set Mercedes-Benz Diesels apart from all other Diesels, from all other cars.

More power for 1980

Note that those dividends are enriched for 1980. New pistons, new camshafts and improved precombustion chamber design—fitted to various engines—help give the five Mercedes-Benz Diesels a strong *performance* boost, without spoiling their famous fuel efficiency.

For 1980, even cold weather performance is improved. An ingenious "pin-type" start device can get a cold engine going—even on a 32°F day—in five to seven seconds, and at 5°F, in about eleven seconds. Like Diesel knock, and Diesel noise, Diesel cold-weather starting pains should now be a thing of the past.

Economy a thing of the present

The 1980 Mercedes-Benz 240 D Sedan is a solid 1.5-ton automobile that happens to outperform every other compact, mid-size and large car on the road today in fuel mileage as listed in the official EPA fuel economy information for 1980, published Sept. 7, 1979. Figures for every Mercedes-Benz Diesel, in fact, may seem almost too good to be true for such capable, civilized automobiles. But the fuel estimates below suggest that a car needn't be undersized or underpowered to deliver heart-warming fuel economy. It simply needs to be efficiently engineered.

1980 EPA fuel economy estimates

Model	Est. mpg:	Est. range:
240 D (Man)	28	481.6 mi.
240 D (Auto)	26	447.2 mi.
300 D	23	485.3 mi.
300 CD	23	485.3 mi.
300 TD	23	425.5 mi.
300 SD	24	520.8 mi.

Compare this to other cars. Your mileage may differ depending on speed, weather conditions and trip length. California estimates vary.

Efficient performance

Each Mercedes-Benz Diesel for 1980 comes fitted with technical features that stamp it more as a performance than a mere economy car: fully independent suspension, for instance. Four-wheel disc brakes. Front and rear anti-sway bars. Gas-pressurized shock absorbers. Recirculating-ball steering.

On rain-slicked highways, on rutted back roads, in mountain bends—that dry list comes vividly alive. Economy needn't mean a drab driving life; first and foremost, a Mercedes-Benz Diesel is a driver's car.

Above all, safety

It is also a safety-conscious car. There are 120 safety features between you and the road, every one standard equipment—whether Federal law requires them or not. The fact that more than half are Mercedes-Benz requirements reflects forty-four years of fanatic devotion to the subject of safety.

Quality service: reaffirmed commitment

With every new Mercedes-Benz comes a dual commitment: to provide unparalleled engineering in its cars and to provide unparalleled service—through the unstinting efforts of over 400 authorized Mercedes-Benz dealers across the United States.

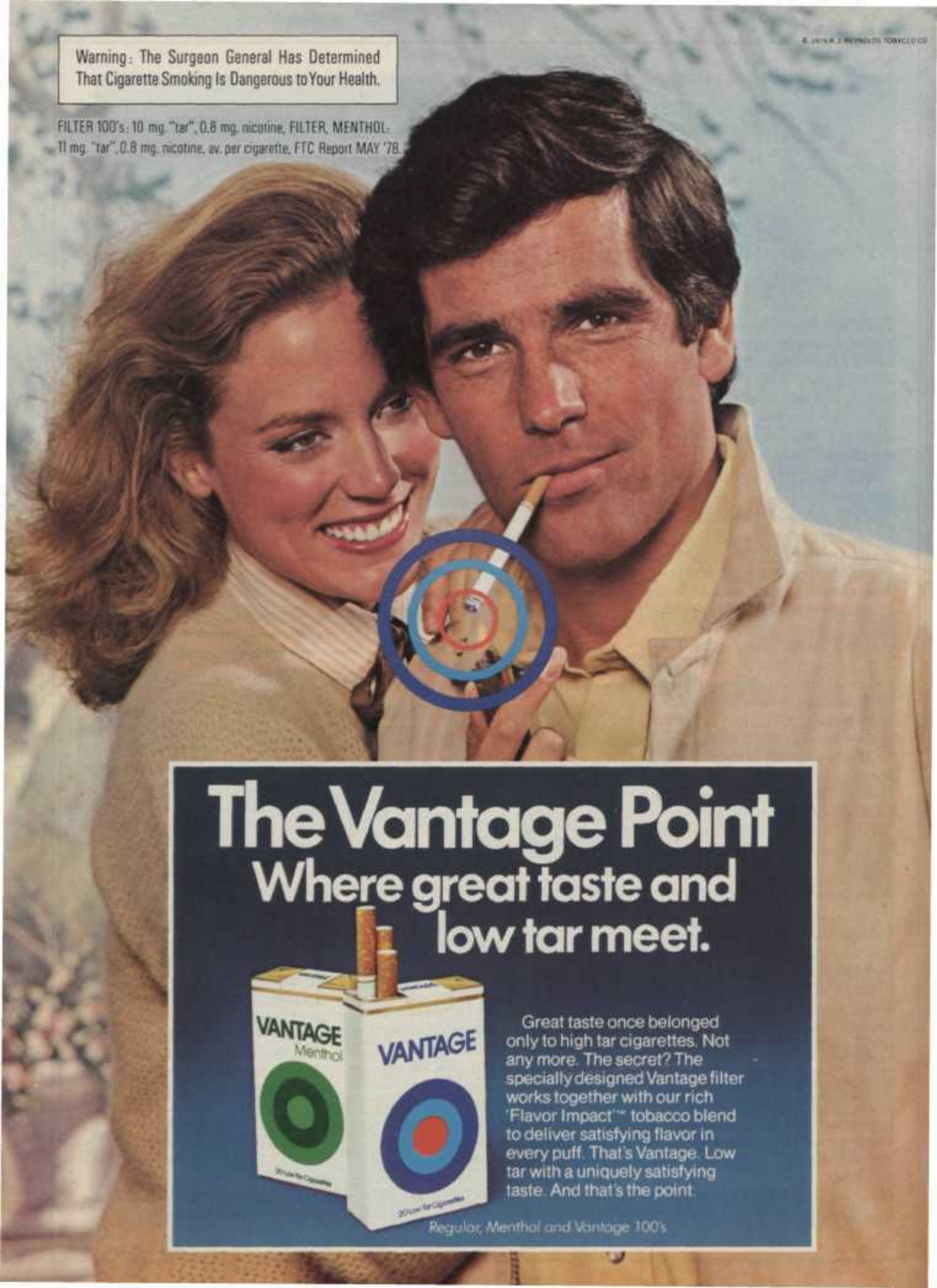
Last but not least

When you think about the Mercedes-Benz Diesel for 1980, you might do well to think ahead to 1983 and consider: historically, a three-year-old Mercedes-Benz Diesel has been shown to retain nearly 80% of its value. A resale performance no domestic luxury car can even approach.

Efficient in fuel mileage, efficient in performance, efficient even in resale value. Remarkable cars, these Diesels. Just what you'd expect from Mercedes-Benz in times like these.

Engineered like no other car in the world

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Great taste once belonged only to high tar cigarettes. Not any more. The secret? The specially designed Vantage filter works together with our rich 'Flavor Impact'™ tobacco blend to deliver satisfying flavor in every puff. That's Vantage. Low tar with a uniquely satisfying taste. And that's the point.
Regular, Menthol and Vantage 100's

OUTLOOK

says the devaluation of the dollar, high prices in Europe, and low-cost air fares drew 19.8 million travelers in 1978, with 20.4 million expected this year. About 23 million Americans went abroad last year.

Although Canadian visits have leveled off at a little short of 12 million, strong gains were recorded from Mexico, Japan, Western Europe, and Latin America.

As a result of more visitors, the travel receipt deficit has narrowed from a peak of $3.3 billion in 1972 to $2.9 billion last year.

Working Women Will Soon Be a Majority

The growing number of women entering the labor force is turning the tables on tradition, according to a report from the Urban Institute, Washington, D. C. The report predicts that by 1990, more than 55 percent of all women aged 16 and up will be in the work force.

Urban Institute statistics show that by 1990: 52 million women will be working or looking for work, including two thirds of all married women under 55 and more than half the mothers with children under the age of six; women will be entering the work force at a rate of one million per year, meaning that by 1990, there will be 35 million more working women than in 1947; and, only 25 percent of all women will be full-time homemakers.

The report, entitled *The Subtle Revolution: Women at Work*, was completed by a team of economists and psychologists under grants made to the institute by several corporations and two government agencies.

The higher number of working women will mean changes in our society, and a gradual restructuring of lifestyles, the report says, including later marriages, a higher standard of living due to dual incomes, a decline in the birth rate, and a more nomadic society.

The growing number of women workers still faces a high degree of inequality, the report says. "Despite individual success stories and more than a decade of equal opportunity legislation, the statistics on women's positions in the labor market do not show great progress."

The report suggests stricter enforcement of equal opportunity laws, improved child-care facilities, and more flexible corporate rules to make it easier for couples to share responsibilities between family and jobs. In addition, it calls for changes in social security and tax laws. Both discriminate against married couples, it says.

PERSONAL

Are Your Federal Tax Deductions Average?

If you are one of the more than 25 million taxpayers who itemize federal income tax deductions, you might find it useful to compare yours with the averages in your income range.

Commerce Clearing House, Inc., which has prepared a chart (below) from the latest—1977—Internal Revenue Service figures, notes: "When a taxpayer itemizes deductions, the amounts claimed may well trigger an IRS audit if they are substantially higher than the typical amounts claimed in the taxpayer's income bracket."

But the Chicago-based company emphasizes that the figures are averages only. The chart does not indicate the amount that would be allowed by the IRS in individual cases, nor are the figures a guide to how much the taxpayer can get away with.

Management Raises Stay Close to Guidelines

Recent studies indicate that widespread compliance with federal wage guidelines will probably keep raises for top and middle management personnel at around eight percent.

Chicago management consultants Hayes/Hill, Inc., say their study shows that "average projected annual 1980 salary increases are expected to range from eight percent for top management to 8.4 percent for salaried professionals."

The Middle Management Report, a survey conducted by the executive compensation service of American Management Associations, shows that salary increases for middle management employees have remained in the eight percent range since 1975. Salaries increased an average of 8.4 percent from 1978 to 1979.

A restrained approach to salary increases was also disclosed by a study conducted by Arthur Young & Co. for the Financial Executives Institute. The study notes that companies concerned with retaining qualified executives are concentrating on other compensation programs. Long-term compensation, either stock or cash-based, is replacing higher salaries. □

Average Itemized Deductions for 1977 by Adjusted Gross Income Classes

Adjusted Gross Income Classes	Average Deductions for Contributions	Average Deductions for Interest	Average Deductions for Taxes	Average Medical/ Dental Deductions	Total Deductions as % of AGI
$ 4,000—$ 6,000	$ 426	$1,370	$ 932	$1,693	72%
6,000— 8,000	513	1,607	1,052	1,368	57%
8,000— 10,000	524	1,507	1,147	1,100	44%
10,000— 12,000	527	1,589	1,179	882	38%
12,000— 14,000	475	1,706	1,242	806	33%
14,000— 16,000	479	1,868	1,421	669	30%
16,000— 18,000	559	1,880	1,553	670	28%
18,000— 20,000	532	2,006	1,720	596	26%
20,000— 25,000	563	2,085	1,954	505	23%
25,000— 30,000	676	2,271	2,300	520	21%
30,000— 50,000	893	2,637	3,124	551	20%
50,000— 100,000	1,965	4,230	5,488	748	19%
100,000—or more	9,673	9,345	13,839	1,063	19%





Transportation systems are the arteries of modern commerce, and a common thread tying together this nation's complex social fabric. From Amtrak's passenger trains, to cost-efficient river barges, to fuel-thrifty motorcycles for commuting, to futuristic people-movers at Tampa International Airport, each has a specific purpose. Collectively, they fashion an American transportation system that is unequaled anywhere in the world.





TRANSPORTATION 2000:

How America Will Move Its People and Products

By John H. Jennrich

How will Americans get where they're going in the year 2000? The federal government has spent $5 million over two years to find out. The answer: Not much differently than they do today.

There will be some changes in the ways America moves its people and its products, but very little of the futuristic transportation found in science fiction novels will materialize. The nation will still run on wheels, wings, tracks, and water. The primary changes will be in fuels—more diesel and synthetic gasoline—and in transportation costs.

The government's report, prepared by the National Transportation Policy Study Commission, forecasts a capital investment of $4 trillion between now and 2000 to keep a growing America moving. Rep. Bud Shuster (R.-Pa.), commission chairman, warns that the "world's best transportation system is in danger" because it may not be able to meet future needs.

"The present level of public and private investment will not preserve the existing system," he says. "The demand for transportation will grow dramatically, outdistancing the rate of population growth by nine times for freight and four times for passengers. Government over-regulation is inhibiting the return on investment necessary to attract capital for future growth."

Rep. Shuster's pessimistic alarm is echoed by Peter G. Koltnow, chairman of the Transportation Research Board, an arm of the National Academy of Sciences. He thinks the nation's highway system is living on borrowed time.

"The gap between highway needs and expenditures will grow substantially by 2000 unless our national transportation priorities are changed," he says. "Federal, state, and local governments are all going to have to deal with deteriorating highways.

"The report of the National Transportation Policy Study Commission shows that if we want a better system or even the status quo in the years ahead, we are already behind schedule in preparing for it," adds Mr. Koltnow, who is also president of the Highway Users Federation. "Although the public has come to expect a good road system, the report clearly shows that we are in danger of losing it."

Optimistic about impact

The commission's deputy executive director, John W. Fuller, is optimistic about the report's impact. He says it describes "moderate ways to make incremental changes." One or more congressional bills will result from the report, he predicts. Even with the big aggregate numbers, the cost of transportation as a percentage of family and national budgets is expected to decline.

But, Dr. Fuller adds, even if all the changes sought by Rep. Shuster and the other commissioners do not occur, America's transportation system will still operate. "It just won't be as efficient," he says.

Nevertheless, efficiencies in a system that costs trillions of dollars can amount to real savings, and everyone in the transportation field agrees that there are problems with efficiency.

The report lists about 80 recommendations to make the present system more efficient. These suggestions can be grouped under four themes:

- An overall reduction in federal involvement. The commission feels that the government should do less itself and restrain business less. Its conclusion: "For most transportation issues, public interest and private profit are consistent rather than opposed."
- Uniform national policy. While the same policy will not work for each transportation issue, "policies should not work at cross-purposes," the commission says.
- Economic analysis of proposed federal actions. The government should know what a project will cost before it begins. Also, the cost benefits of alternatives should be available. Economic analysis should be applied to nontransportation goals such as environmental protection, safety, energy conservation, and national defense. For safety and research, federal involvement, including financial assistance, is required.
- Support from system users. "Free

PHOTO: RON FRIEDMAN-UNIPHOTO



More than 185,000 private aircraft play an important role in personal and business transportation. General aviation operates from more than 14,000 airports. This compares with 2,200 commercial aircraft serving 620 points.

markets operate on the principle that those who benefit must pay for the costs," says the commission, which excludes urban and rural transit systems and air traffic control. These exceptions benefit the public generally, it says, and should be subsidized through taxes.

Underlying the recommendations is a complex, three-part forecast of trends and demographics that will affect transportation decisions of most businesses in the future.

The commission included low, medium, and high-growth scenarios, but generally used a medium-growth analysis. The report covers urban, rural, and intercity transportation of both freight and passengers. Its base year is 1975.

The transportation system over the next two decades shapes up like this:

• Personal travel was 2.6 trillion miles in 1975 and will grow to 4.6 trillion miles in 2000. People will depend primarily on automobiles, although airlines will carry more long-distance travelers and by 2000 burn more fuel than cars. Despite increases in mass transit, traffic jams and urban congestion will survive. Highway fatalities will increase from 46,000 in 1975 to 67,000 in 2000, although the number of deaths per 100 million vehicle miles will go down.

• Trucks, railroads, ships, barges, and pipelines will be the freight carriers. Railroads and ships will increase their market share. Freight hauling accounted for 2.4 trillion ton-miles in 1975; by 2000, it should reach 6.3 trillion.

• America will still run predominantly on oil, although synthetic and other fuels will be used. The wellhead price of domestic crude oil, assuming deregulation, will rise 59 percent in constant dollars between 1975 and 2000. Domestic production will continue to decline until 1985 and then increase gradually. Demand will exceed domestic supply and until 1990 will be met through increased imports.

By the 1990s, synthetic crude oil will represent 20 percent of all crude oil available to refineries. Of the synthetic crude, 78 percent will be from coal.

Because of increased mining in the West, three times today's volume of coal will be moved twice its average distance, for a sixfold increase in ton-miles. The increase will mean that more energy will be spent in transporting energy.

Sufficient petroleum-based fuels can be made available for transportation only if all domestic energy resources are exploited, including solar, nuclear, oil shale, tar sands, and coal liquefaction, the commission says.

• Capital investment in transportation will equal $4.2 trillion between 1975 and 2000, with $1.2 trillion of that from various levels of government. While these are big numbers, the cost burden is actually decreasing. In 1975, the total transportation bill was 21.1 percent of gross national product. By 2000, it should decline to 19.8 percent.

In 1975, the cost of passenger transportation as a percentage of disposable income per capita was 17.6 percent. By 2000, with increases in real income, this will have dropped to 13.2 percent.

• Gross national product will be nearly $3.6 trillion in 2000, or 2.35 times 1975 GNP. There will be 260 million Americans living in 104 million households, up from 214 million Americans in 71 million households in 1975. Disposable personal income per capita will grow to $9,826, nearly double that of 1975, leaving more money available for traveling and transportation costs.

Growth predictions

The commission predicts that average income will rise faster than the cost of owning and operating a car, that demographics will show a shift toward more and smaller households, and that the average age will continue rising, with more people reaching driving age.

In urban areas, where 75 to 80 percent of Americans live, passenger trips will grow steadily from 359.4 million in 1975 to 462.7 million in 2000. These trips account for about one third of all travel miles throughout the country.

About seven percent of the urban trips will be in mass transit vehicles, which will average about the same or slightly below the percentage in 1975. Only in cities with a million-plus people is transit ridership expected to rise.

Optimistic estimates

One of the hazards of forecasting transportation trends shows up in the urban mass transit figures. The commission report predicts that from 1975 to 2000 bus seat-miles will grow from 232.6 million to 433.9 million. During the same time, rail (subway, light rail or trolley, and commuter rail) will grow from 172.7 million seat-miles to 437.4 million, more than doubling in 25 years.

Arthur L. Webster II, the commission's director for policy integration,

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says: "These estimates are probably very optimistic." Although data for the prediction were obtained in June, 1978, rail service was bullish in 1978, he says. Ridership has not kept up with seat-miles, and high expenses tend to favor expansion of bus service over subways, Mr. Webster adds.

Mass transit will play a big role during rush hours, but the dominant vehicle for urban travel will still be the passenger vehicle, whether it be a car, truck, or van. While the number of highways increases moderately, and the number of freeway lanes increases faster, there will also be a big jump in the number of urban passenger vehicles, rising from 53.8 million in 1975 to 100.1 million in 2000.

Fuel consumption in 2000, assuming greater use of diesel-powered vehicles, is exected to drop below 1975 levels.

Auto and air dominate

Some of the greatest changes will take place in intercity passenger movement. Measured in total passenger-miles, airlines will increase their share tremendously, bus and rail will decline from their already tiny fractions, and autos will decline slightly. Auto travel will still be nearly four times greater than air travel.

The commission report says: "While all modes exhibit absolute growth, auto and air clearly dominate, accounting for more than 97 percent of all intercity travel. The most significant shift is from auto to air, which grows at the highest rate.

"As income rises, the value of time rises, and air travel becomes more desirable because of its speed," the report adds.

Although both aircraft and cars will become more fuel efficient, planes use more energy per passenger-mile than cars. With the shift toward air travel, fuel use is expected to rise. Indeed, says the commission, "by 2000, planes may replace the auto as the dominant user of energy for intercity travel."

Interstate system

Cars today travel on 3.87 million miles of roads. Most intercity travel occurs on about 20 percent of that, and about 20 percent of all travel is on one percent of the roads, the nearly completed 42,500-mile Interstate Highway System. In 1975, autos accounted for 1,123 billion intercity passenger-miles, or about 86.3 percent of the total. In 2000, autos will account for 1,830 billion passenger-miles, or about 78.2 percent of the projected total of 2,340 billion. By 1985, smaller autos will lose ground to medium-sized autos, a trend that will continue to 2000.

However, Eugene Bordinat, Jr., vice president-design for the Ford Motor Co., believes that government regulations will force automakers to produce a lightweight, fuel-efficient city car. It won't be an electric.

Hybrid vehicle

"I predict that the power plant of the city car will be a small, air-cooled reciprocating engine—an aluminum motorcycle engine, for example," he says. The car would carry a driver and one passenger, weigh 1,000 to 1,200 pounds, and get 50 to 60 per miles per gallon.

Mr. Bordinat also sees a "practical, multipassenger, front-wheel-drive vehicle that can be readily converted into a high-volume cargo carrier, a cross between a station wagon and a van, but smaller.

"As we downsize luxury cars," he says, "we will replace pure size through the magic of electronics and new creature-comfort features—at no sacrifice to interior passenger space."

Another sort of vision came from postwar futurists who thought that by 1980 Americans would have a helicopter in every garage. Today, many Americans don't even have a garage.

The day is going to come, says Morris Belzberg, president and chief executive officer of Budget Rent-a-Car Corp., when private cars will be banned from center cities. In their place, along with mass transit, will be fleets of two-seater cars parked in strategic locations and available to anyone.

Activated by special electronics or magnetic credit cards, the autos could be driven to other sites and dropped off. A computer would keep track of how many miles a person had driven, and he would be sent a monthly bill. "Naturally," says Mr. Belzberg, "we'd like to be a part of that system."

Own small, rent big

Meanwhile, Budget pushes the rental of big or special cars. "People can rent a big station wagon for the once-a-year vacation," says Mr. Belzberg, "and own a small commuter car. That's much more intelligent and prudent."

He flatly disagrees with predictions of an increase in multiple-car families and two-car families going to three cars as vehicles become more specialized. "It simply costs too much for insurance, maintenance, depreciation, and taxes," he says.

Air travel will grow from 148 billion passenger miles, or 11.4 percent of the total, to 472 billion passenger-miles, or

PHOTO: TED STRESHINSKY—THE IMAGE BANK



This maze of Oakland, Calif., freeways and a station for the Bay Area Rapid Transit system illustrate the complexities and consequent high cost of urban transportation. Both systems have a common problem—traffic congestion.

20.2 percent. The surge in ridership, already under way, and the ravages of inflation are hitting hard.

"We've boosted our estimate of capital needs through 1990 by 50 percent, from $60 billion to $90 billion," says George W. James, senior vice president for economics and finance at the Air Transport Association.

The commission report says "it is widely agreed that few new large airports will be built by 2000," but existing airports will be expanded. In addition, not all air travel will go to the trunk carriers. As deregulation allows the major airlines to withdraw from marginal operations, regional and commuter airlines will take over.

Every penny counts

"There's a trend toward more fuel-efficient planes," says Dr. James, "including the Boeing 767, 757, and 727/200, the Airbus A300, and the stretch DC-9s. Carriers are looking to a 30 to 40 percent increase in fuel efficiency."

And well they might. In the first half of 1979, jet fuel prices rose 17 cents to 58 cents a gallon. "Each penny increase costs us $115 million a year," says Dr. James. "That 17 cents translates into nearly $2 billion a year for the same amount of fuel."

Intercity buses are expected to increase their passenger-miles from 25 billion in 1975 to 31 billion in 2000, but this will be a reduction in the bus industry's percentage of the total from 1.9 to 1.3 percent.

Says the commission: "Prospects are not particularly promising for the intercity bus industry, unless fuel availability problems induce shifts from the automobile." It adds that bus industry productivity is limited by the 55 mph speed limit, seating capacity of buses, and a lack of technical improvement in bus equipment.

First class bus service

The intercity bus industry is more optimistic. "I foresee a proliferation of bus service of all kinds," says Arthur D. Lewis, president of the American Bus Association. "I think we can expect a substantial increase not only in regular route operations, but also in charter and tour services. Likely innovations will include first class and perhaps even higher classes of service. Already the industry is experimenting with executive coach service seating 15 to 25 passengers in much greater comfort."

Mr. Lewis also sees more terminals in suburbs. Lee Whitehead, director of public relations for Greyhound Lines, Inc., agrees. "That's where the people are," he says.

PHOTO: JOHN NEUBAUER



Urban bus systems are highly labor intensive, and efforts to increase passenger capacity are frustrated by narrow city streets. This Washington, D. C., transit bus is one solution—add a trailer so the unit can navigate around corners.

Greyhound, which accounts for 60 percent of the intercity bus service, is pushing for total deregulation of the industry. "Let economics, not government whim, be the deciding factor," says Mr. Whitehead. He thinks Washington is coming around to that view.

If buses are deregulated, the discount fares used by airlines when they were deregulated will not be much use in attracting more bus riders. "Our prices are not that flexible," he says.

Own right of way

Railroads accounted for five billion passenger-miles in 1975 and are expected to grow to six billion in 2000, which is a drop in market share from 0.4 to 0.3 percent. Quasi-public, government-sponsored Amtrak operates passenger railroads over private, freight-hauling tracks—except in the Northeast Corridor where it has its own right of way and 60 percent of its ridership. Congress has allocated $1.75 billion to upgrade the Northeast Corridor for high-speed train service.

While rail is weak in intercity passenger movement, it is and will remain the dominant freight mode in terms of ton-miles. The key to rail's strong position is coal, which the commission predicts will rise from 10.8 percent of total rail traffic in 1975 to between 14 and 20 percent by 2000. Railroads hauled 673 billion ton-miles of all freight for a 28.7 percent share of the market. By 2000, they should carry 1,983 billion ton-miles, up to 31.9 percent of the total, which is projected at 6.3 trillion ton-miles, or 2.6 times the 1975 load.

Crude oil

Water is the only mode other than rail to show a steady increase in share of ton-miles over time, says the commission. As with rail, one commodity is critical—crude oil from Alaska. Because of Alaskan oil, water is expected to succeed pipelines in terms of ton-miles as the primary mover of crude oil by 2000. But this does not mean that oil tonnage will shift from pipelines to ships; the oil ships have long trips to make, which raises the ton-mile figure. Water transport will grow from 428 billion ton-miles in 1975 (18.3 percent of market) to 1,433 billion ton-miles (23.1 percent).

Coal accounts for 22 percent of barge traffic, a figure that will grow as more western coal is mined and transported. Federal Barge Lines, for example, is building a 15-million-ton facility to transfer coal from railcars to barges at Cora, Mo., 80 miles south of St. Louis on the Mississippi River.

John A. Creedy, president of the Water Transport Association, says that with one major exception—Lock and Dam 26 at Alton, Ill., on the Mississippi River—river system capacities far exceed today's traffic. "Of great importance," he says, "is increased coordina-

The Ways of Getting There

Transportation in America is a jigsaw puzzle with a million pieces—and a billion-dollar price tag.

Last year, the transportation system made up about 20 percent of the gross national product, or more than $415 billion, and involved about 20 percent of the labor force, or about 20.5 million workers.

Today, the parts of the system look like this:

Highways and motor vehicles. There are 3.87 million miles of roads, 81 percent of which are paved. Of the total, which has increased only 20 percent in nearly 60 years, nearly 3.2 million miles are in rural areas and 683,000 are in urban.

The Interstate Highway System, a projected 42,500 miles, is 93 percent completed. However, the system was begun in 1956, and now more than half of what has been built needs to be upgraded.

The total road system includes more than 563,000 bridges, with most travel over the 248,000 bridges on the major federal-aid system roads. More than 105,000 bridges, including nearly 40,000 major system bridges, are structurally deficient or functionally obsolete. About 72 percent of all the bridges were built before 1935.

Vehicles traveling on these roads and bridges include more than 117 million automobiles, 31 million trucks, five million motorcycles, and 500,000 buses. By 1980, says the National Transportation Policy Study Commission, 90 percent of the eligible population could be registered to drive.

Air. There are 11 domestic trunk air carriers and eight local service airlines. There are about 2,200 commercial aircraft, down in number from 1970 but significantly faster and bigger. There are also 199,000 private aircraft. In 1978, 280 million airline passengers traveled to 620 commercial points of service. Of the 14,574 airports in the nation, 428 have Federal Aviation Administration air traffic control towers. Domestic air freight serves 9,000 U. S. communities.

Pipelines. There are 440,000 miles of oil pipelines, 255,000 miles of gas pipelines, and 400 miles of coal slurry pipeline.

Water. Waterborne commerce travels in three basic types of vessels: Inland vessels, mainly tugs and barges drawing nine feet or less; Great Lakes ships with a maximum draft of 25½ feet; and oceangoing ships, which generally have a draft of 35 feet or more.

There are 25,543 miles of inland waterways, including 170 dams and 255 locks, carrying 4,400 towboats and tugs and 28,700 barges. The Great Lakes fleet numbers 150 bulk carriers and nine tankers. There are about 575 oceangoing ships including 214 flag vessels in the U. S. domestic ocean fleet; their average age is 21 years, double the age of the average international trade vessel.

The United States has 2,401 marine terminals, although only 170 are considered major commercial ports, and 50 get 87 percent of all commerce.

Rail. Amtrak passenger service carries 20 million passengers a year over 24,000 miles of track to 532 locations, using 350 locomotives and 2,000 railcars. Freight, 673 billion ton-miles in 1975, was hauled over 200,000 miles of track, using 27,700 locomotives—200 electrics, 11 steam, the rest diesel—and 1.7 million railcars, including 354,000 for coal.

Urban transit. The industry, which has declined significantly since just after World War II, now carries more than six billion passengers a year in 52,000 buses, 11,300 railcars, and 4,340 commuter railcars.

tion between rail and water modes, a continuation of the trend that has been going on quietly for years." Mr. Creedy suggests that railroads, many of which run east-west, can increase profits by greater coordination with barge lines on the Mississippi.

Urban freight movement, the commission notes, is an area in which "little success has been achieved in collecting data." Nevertheless, the trend is toward more frequent deliveries of smaller shipments. The number of truck-miles will increase faster than the number of trucks, reflecting a change in distribution patterns as more truck terminals move out of the central business districts into the suburbs with good access to freeway interchanges. One problem: More delivery trucks on the urban streets will cause more congestion and air pollution.

While both common carrier and private trucking will grow, its share of the market will remain about the same. Again, this is predicated on rail and water carrying the commodities with the highest growth. Intercity trucks accounted for 488 billion ton-miles in 1975 for a 20.8 percent share of the market. By 2000, they will be up to 1,366 billion ton-miles for a 22 percent share.

Pipelines lose share

Pipelines, both oil and gas, are expected to lose market share by the end of the century. Oil pipelines will grow in absolute terms from 437 billion ton-miles, to 1,062 billion ton-miles, but market share will drop from 18.6 to 17.1 percent. Gas pipelines will grow from 312 billion ton-miles to 356 billion ton-miles, with market share dropping from 13.3 to 5.7 percent.

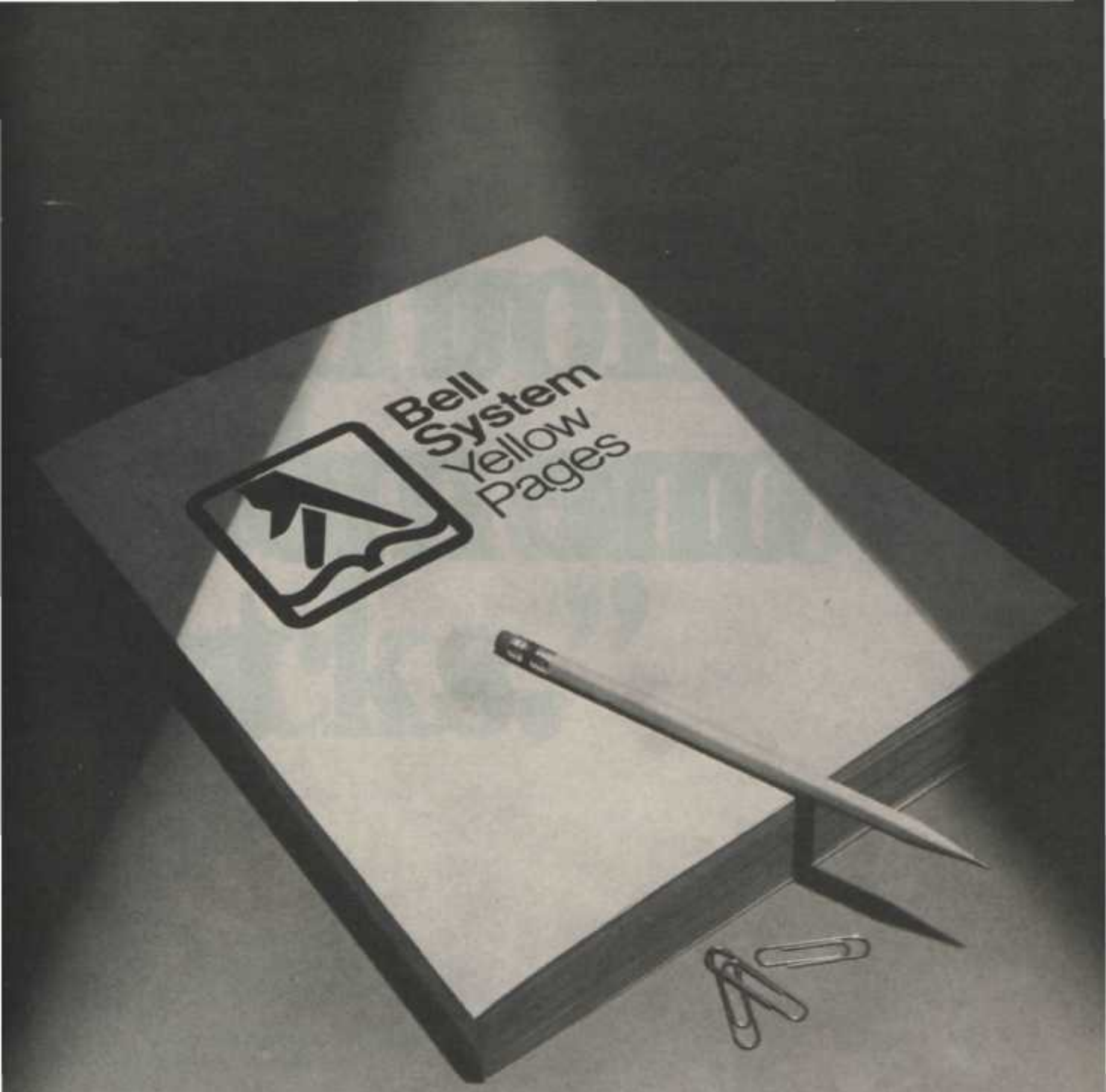
Air freight's share of the market remains constant at 0.2 percent. In absolute terms air freight will grow from four billion to ten billion ton-miles.

Looking at the commission's overall forecasts, Sen. Russell B. Long (D.-La.), a commission member, says: "Two overriding themes emerge. First, our transportation system structure must be upgraded and maintained to enable it to move the domestic energy required to meet our future needs. This will require substantial funding.

"Second, we must strongly develop domestic fuels for transportation, which are vital for economic survival. This means increased domestic production of crude oil and rigorous development of alternative petroleum-based sources such as coal and shale oil and renewable liquid fuels such as alcohols from biomass, solid waste, and coal."

Looking at the challenges over the next 20 years, Mr. Belzberg of Budget Rent-a-Car says the nation cannot wait that long. He calls for a major project like the one that produced the atom bomb to upgrade and expand the nation's transportation system and develop energy self-sufficiency.

"If we have to wait 20 years," he says, "this country will be owned by the Arabs." □



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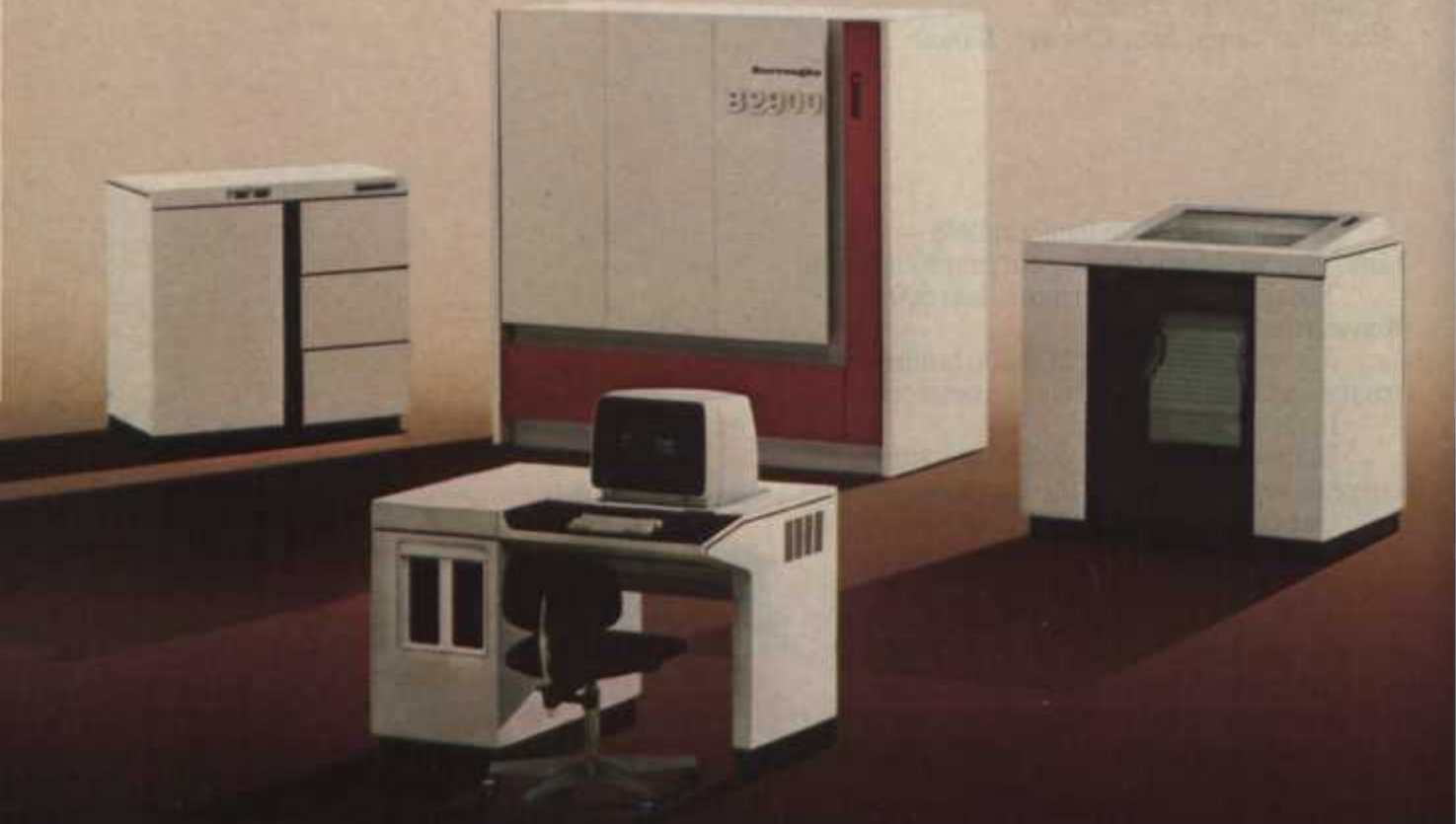
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Chambers of Change

Bigger and bolder, business organizations are pushing for social and political changes to improve their communities

By Tony Velocci

More than one million people in metropolitan Denver, Colo., have a bus transportation service they didn't have six years ago, thanks largely to the Denver Chamber of Commerce.

In Macon, Ga., the chamber of commerce formed the Private Industry Council, which is conducting a labor market analysis. Its goal is to find jobs in the private sector for underemployed, untrained, unskilled, and unemployed citizens in seven counties.

In Louisville, Ky., the chamber of commerce and the school board formed a task force to find out why the city-county school merger wasn't working. The task force came up with 219 recommendations to improve the system; many of them have been implemented.

THESE THREE CITIES demonstrate the new directions being taken by hundreds of chambers of commerce that are breaking the stereotype image of business boosters and taking leadership roles in major social issues.

Chambers today are more visible than ever before. They are also bolder in taking the initiative to produce a good business climate.

The change of directions is reflected in several ways. In many chambers, especially those in larger cities, the chief spokesperson today usually prefers to be on the firing line instead of managing from behind the scenes. Also, the head of many chambers is no longer called secretary or executive director. The new title is president.

Forging the future

Chamber staff and volunteers are being challenged to produce results through management by objective. And volunteer business people are actively forging the community's future and improving its quality of life.

"The most important resource any chamber has is its volunteers," says Rex Jennings, president and general manager of the Denver chamber. Its members include I. J. Shwayder, president, Samsonite Corp.; Robert H. Malcott, chairman and chief executive officer, FMC Corp., and Ralph F. Cox, president, the Anaconda Co.

"Successful business people possess a variety of specialized skills that can be applied to solve any community problem. And the number one job of any chamber executive is to discover and motivate the talent that exists in abundance in every town," says Mr. Jennings.

Dramatic shifts

Not since the formation of the first chambers of commerce in the United States more than 200 years ago have these business associations undergone such dramatic shifts. Moreover, their success has nothing to do with the size of the community. Most chambers face the same set of problems; only the scale varies.

The fact that more chambers are taking the initiative instead of merely reacting to events has not gone unnoticed.

Colorado's Gov. Richard D. Lamm observes: "There has been a substantial change from the chambers' early promotional role to one of involvement in much broader issues. The Denver Chamber of Commerce, for example, has played a major role in politics and community affairs that relate ultimately to the economic well-being of the total city."

Not every chamber is a part of this movement, of course, but it is occurring in enough parts of the country to establish several trends.

One is that more and more chambers are hiring staff specialists. Twenty years ago, the trend was to employ generalists who picked up a specialty on the job. Now, chambers routinely hire people with training in specific fields such as transportation, housing, and urban development—all problem areas for most cities.

"When I first went to work for a local chamber in 1947, I was hired because I was a promoter," recalls Milton Fletcher, director of local chamber activities for the Chamber of Commerce of the United States. "With that qualification today, most selection committees wouldn't even invite me in for an interview."

Some chambers have even hired professional politicians. In Houston, Texas, the chamber president is Louie Welch, a former five-term mayor there. Says Mr. Welch: "I have a definite edge in working with city hall. Certain lines of communication that are open to me would be closed to others."

Reliance on coalitions

Another significant trend is the chambers' increasing reliance on coalitions. "To accomplish its goals the chamber cannot be the singular community leader," says Rodney F. Benson, president of the chamber of commerce in Boulder, Colo.

When the Boulder city council met to hear opposing views on a major shopping center and redevelopment project the chamber is endorsing, Mr. Benson organized an impressive lineup of supporters. They included the Board of Realtors, the Downtown Merchants Association, the League of Women Voters, the Sierra Club, the Historical



Efforts to improve the quality of life can make downtown sections more than just places to work. The Houston chamber encourages festivals and performances by local groups to build a strong sense of belonging for people in the community.

Society, and Plan Boulder, an environmental group.

"The traditional concept of the chamber of commerce as an economic force is still valid, but chambers today are the closest thing yet to the total systems approach to community development," says Charles F. Herd, executive vice president of the Louisville chamber and chairman of the American Chamber of Commerce Executives, the professional society of chamber employees.

For example, the Houston chamber's systems approach during 1979-80 will concentrate on expanding the city's recreational facilities, reducing the impact of crime on the community, encouraging greater support of the arts, improving education at all levels, helping to finance a flood control program, implementing a fire safety program, and assembling technical data on environmental controls.

Houston's volunteer members include Randall Meyer, president of Exxon Co., USA; Philip G. Hoffman, president of the University of Houston; and John F. Bookout, president and chief executive officer of Shell Oil Co.



Preservation of ethnic heritages gives a community color and cohesiveness and prompts local celebrations, such as this one in Louisville, where Ukrainian dancers leap in a festival sponsored by the local chamber of commerce.

Perhaps the most overt trend among chambers of commerce is their active participation in the total political and legislative process. This trend actually began several years ago and is rapidly gaining momentum.

"Chambers in increasing numbers are discovering that many of the public projects that make it possible to create jobs and develop the total community are ultimately controlled by government," explains Richard L. Baily, manager of the local and state chamber of commerce division at the U. S. Chamber.

"Chambers have been involved in these activities before, but their involvement was minuscule compared to what is now taking place."

Plaudits for ad

Companies of all sizes are seeking out chambers' help in establishing political action committees—known as PACs—for their employees to support local candidates, raise funds, and analyze issues.

In Denver, the chamber is still receiving plaudits for a full-page newspaper advertisement that analyzed ten ballot proposals before the 1976 general election. Issues ranged from the future of nuclear power in Colorado to the Equal Rights Amendment.

The political push includes educational efforts aimed at the public. Linda Davis, a staff project manager in the Denver chamber's public affairs group, instructs about 300 people a year in a five-week political action course. Similar bipartisan programs are conducted by chambers across the country.

Political force

Chamber executives stress that while chambers are not political vehicles, the business community affiliated with those chambers can be an effective political force.

For instance, the Macon chamber's Small Business Council recently proposed that the city council enact an ordinance requiring the city to award a certain percentage of its business to small and minority-owned firms.

"The prospects of the ordinance being adopted are excellent," says Billy Mitchell, the Macon chamber's executive vice president. "The lesson here is that the power of every community should exist in its chamber of commerce."

In the Denver area, more than 500 separate governmental units sprawled across six counties function indepen-



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Revitalization of the downtown is a major goal of the Macon, Ga., chamber. Key officials are (L-R) Sid Cherry, Mary Costello, and H. M. Ponder.



Rex Jennings (right) is president and general manager of the innovative Denver chamber. Lael S. DeMuth is chairman of the board-elect.

dently. The Denver chamber wants to cut through the hodgepodge and establish a regional structure of government. Local officials are challenging the proposal on technical grounds. If the Colorado Supreme Court rules in favor of a chamber-led coalition, the issue could be presented to voters within the next year.

One of the Denver chamber's most outspoken supporters is Mayor William McNichols, Jr., who recently won a third term. "The chamber's members are smart enough to know that you can't have a dead inner city and living, vibrant suburbs, or vice versa. They are more attuned to the dangers of not having a metropolitan approach to government than any group I know," Mayor McNichols says.

Fighting arbitrary limits

Chambers are taking their knocks in the political arena, too. For instance, the Boulder Chamber of Commerce lost a recent campaign against a no-growth proposal.

Eighteen months after he became chamber president, Mr. Benson and his organization fought the proposal to limit the number of new housing units to 450 a year.

"We opposed the idea because arbitrary limits are not what communities are all about," Mr. Benson recalls. "They are evolving, dynamic organizations. To take any one element like housing and put an arbitrary limit on it is ludicrous.

"The most significant lesson we learned was that we needed a much broader program of helping the public understand economics," he says. Chamber members also learned that campaign strategy requires starting early. The issue was decided by 552 votes just six weeks after the chamber got involved.

Social issues

Local chambers haven't always felt so compelled to influence the course of legislation, nor have they in their 200-year history been so enmeshed in such a broad range of social issues.

The first American chamber dates to 1768, when 20 New York City merchants organized an association to promote commerce and help resolve disputes involving trade and commercial navigation.

By 1870, there were 40 active chambers in the United States. During the past 100 years, more than 5,000 state and local chambers have been formed. More than half belong to the U. S. Chamber, and nearly 1,200 have professional staffs.

In the early 1900s, the U. S. Chamber was created as a federation of more than 300 business organizations and became the voice of business opinion on national issues. Its membership has nearly doubled in the past six years, from 49,000 to more than 84,000, consisting of companies, industries, professional and trade associations, local and state chambers, and individuals.

Broker of information

Although local and state chambers are not obligated to join the U. S. Chamber, the strength of the overall chamber movement is tied to their three-way cooperation. To state and local chambers, the U. S. chamber is a resource and a broker of information.

Over the years, the U. S. Chamber has developed programs for local chambers, such as the Action Course in Practical Politics and the Institutes for Organization Management.

The action course is an 18-hour study program designed to teach almost anyone how to participate in the political process. It has the endorsement of the two major political parties. The institute program is intended to promote chamber executives' personal and professional advancement. Courses are offered on college campuses.

Despite the many programs on the local, state, and national levels, chambers of commerce, their objectives, and the manner in which they operate are poorly understood by much of the public, say chamber executives nationwide. There are exceptions, of course, especially in those communities where the chamber has become an outspoken leader.

"But the lack of understanding is a real problem, and I'm not sure how to go about getting the word out," says Mr. Herd in Louisville. "On a city-by-city basis, it takes consistent involvement, and even then public awareness and understanding come painfully slowly."

Difficult to develop

Another problem stems from chamber participation by the managers of local firms affiliated with major corporations.

"Most large companies feel a need to develop that kind of local touch, but it is difficult," acknowledges Richard H. Good, executive vice president of the chamber in Grand Island, Neb.

The top one or two managers are

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Small Businesses Count a Lot

The membership roster of practically every chamber of commerce is dominated by small businesses.

The reason is both traditional and practical. America's 14 million small enterprises represent about 97 percent of the country's businesses, employing more than 50 million people. Collectively, they account for 43 percent of the nation's gross national product.

Most small businesses find it increasingly difficult to operate in the current environment of excessive government regulation involving capital gains, depreciation allowances, product liability, tax credits, government procurement, and piles of paperwork.

"It has reached the point where their economic survival demands that we reexamine the needs of small businesses," says Richard H. Good, executive vice president of the chamber of commerce in Grand Island, Neb.

Chambers of commerce offer programs to unite small businesses and ensure that both small and large businesses carry their message to legislators with a unified voice.

The Denver Chamber of Commerce has developed one of the most innovative small business programs. Its Small Business Council helped to lay the foundation for a statewide small business council.

"We see evidence that this new thrust is having a definite impact on governmental policies," says Wesley Schoezel, chairman of the Denver Small Business Council and president of Schoezel and Associates.

And for good reason. Says Rex Jennings, president and general manager of the Denver Chamber of Commerce: "Politicians understand numbers. Once the small business community organizes, it will probably carry the strongest political clout in the United States."

apt to be around for only a few years before they are transferred. This tends to disrupt leadership in a local chamber of commerce and, to some extent, in programming activities.

Another problem is the lack of trained people to manage and direct local chambers of commerce.

"Efforts to generate interest among college men and women in chamber of commerce management should be a top priority," says William E. Dauer, president of the San Francisco chamber. "I am disturbed by the haphazard process through which so many people enter this business. That has got to change."

Despite these problems and a belief by many chamber executives that their resources are spread too thinly in the political arena, chambers of commerce are evolving to cope with political activism.

Executives of some of the more active chambers are optimistic about the future. They see chambers stressing long-range planning and prevention of problems rather than short-range problem-solving. Partnerships between the public and private sectors are becoming more commonplace, they say, leading to an expanded role for chambers.

"The business community has a wealth of knowledge and experience that the public sector can use," says Frank D. Fulco, president of the chamber of commerce in Waterbury, Conn. "Chambers have an obligation to help meet this need."

Challenge of today

"To a great extent, the role that chambers of commerce play in the future will depend on how well the organizations meet the difficult challenges of today," says Leonard S. Patillo, executive vice president and general manager of the Houston chamber.

More and more chambers will phase out some of the traditional promotional activities in favor of political and legislative action. Chambers will continue to lead the development of local economies, but the major push will be in the total approach to community development.

There was a time when a local chamber could put on a retail sales promotion, bring in one new industry every few years, and make everyone in town feel pretty good.

"Not anymore," says Mr. Benson of Boulder. "Communities are too complex. Being the business advocate today means trying to shape the orderly development of the total environment—social, political, and physical."□

Training Tomorrow's Leaders Today

How does a major city ensure that its future will wind up in the hands of people who can maximize its assets and minimize its problems?

In the Mile High City at the foot of the Rocky Mountains, Leadership Denver, conducted by the Denver Chamber of Commerce, is one working answer.

Now in its seventh year, the program, which is similar to those run by hundreds of other chambers, identifies emerging leaders, helps them to develop their leadership qualities, and improves communications between them and the city's present leaders.

Each year, the chamber distributes 6,000 applications to chamber members and others to obtain nominations. Only 40 men and women aged 25 to 45 are selected to participate in monthly discussions about the problems and opportunities in the greater Denver area.

"The program is exciting," says Colorado's Gov. Richard D. Lamm, who describes the Denver chamber as a positive force in the city's development. "It is nonpartisan and an effective vehicle for exposing Denver's future leaders to a wide range of issues."

One former program participant is Michael Moore, a national director for Arthur Young & Co. and vice chairman of the Denver chamber's governmental affairs group.

"The process of working with other people outside your own specialty is in itself broadening," he says. "Your views are challenged; you contribute toward other people's development and they to yours."



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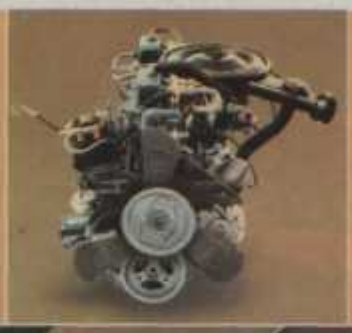
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BUILT TO STAY TOUGH

Campaign '80:

The Pollsters Are Off and Running, Too

Political pulse-taking will focus on the electorate's attitudes toward pocketbook issues

By Vernon Louviere

IN 1932, Mrs. Alex Miller decided to run for secretary of state in Iowa. As a woman and a Democrat in a predominantly Republican state the odds were stacked against her.

Mrs. Miller's son-in-law used the campaign to test a public opinion sampling technique he had developed while working on a doctorate degree. He conducted a poll and found, surprisingly, that the lady candidate had a good chance of winning. He even predicted a Democratic sweep of the state.

Mrs. Miller went on to win, and her son-in-law, George H. Gallup, gave to the political world a new method of gauging political opinion. Rare is the politician today who will make a run for office without a pollster at his side.

Political polling is big business. While there are no firm figures, candidates from sheriff to president will spend an estimated $15 million to $20 million in 1980 campaigns. As many as 1,500 individual surveys are expected to be taken during the year.



PHOTO: JOHN AVERY—PEOPLE WEEKLY/TIME INC.

Pollster Louis Harris queries Mrs. Dianne Cox at her home in Wichita, Kansas. In-person public opinion surveys are expensive, some costing from $30 to $35 for each interview. A typical interview of this type will run about 45 minutes.

Lower costs

Political polling is expensive. Some pollsters charge from $30 to $35 for each interview in a person-to-person canvass. Telephone polling, although less reliable, is becoming more popular because of the lower cost.

The two principal presidential candidates in next year's general election may spend as much as $3 million on polling. By contrast, President Carter spent $706,000 in his 1976 election campaign. A well-financed senatorial candidate could budget up to $100,000 for polling alone. Some senatorial aspirants will get by for $30,000 or less.

Modern presidents have relied heavily on polls, although they don't always like the results. Without question, President Carter is extremely poll-conscious, and his personal pollster, Patrick Caddell, is a full-fledged member of the inner circle at the White House.

President Carter, whose approval rating had plummeted to 19 percent in one recent public opinion survey, says: "There are many complications about public opinion polls. I look at them, I'm concerned about them, I would like to be highly popular. I would like to have a 75 percent favorable rating, that would be very nice. But a week after I was an announced candidate for President, Gallup ran a poll and listed 36 people—Ralph Nader, Julian Bond, and 34 others. My name was not on the list, but I became President.

"So public opinion polls are interesting. They are a guide to how the public feels, but I think they have relatively



George H. Gallup, Jr., sees federal spending as a major issue in the 1980 presidential election if the Democratic nominee is Sen. Edward Kennedy.

little significance about the outcome of an election."

Do poll results influence voters? Most pollsters say no. On the other hand, they do influence candidates, their campaign workers, and contributors. The money rolls in or tapers off on the heels of polls, usually right in line with a candidate's falling or rising popularity.

Churchill's disdain

One of the world's most successful politicians disdained polls. Winston Churchill once said: "Nothing is more dangerous than to live in the temperamental atmosphere of a Gallup poll, always taking one's temperature. There is only one duty, only one safe course, and that is to be right and not to fear to do or say what you believe to be right."

The techniques of political polling have improved greatly. Today's polls are uncannily accurate, but that has not always been so.

Almost everyone has heard of the 1936 polling disaster in which the now defunct *Literary Digest*, using the results of ten million public opinion ballots from around the country, predicted that President Roosevelt would net only 40 percent of the vote and be defeated by Republican Gov. Alfred Landon of Kansas. Fortunately for the future of the polling industry, three fledgling political pulse-takers came closer to the mark. Young Dr. Gallup gave Roosevelt 55.7 percent of the vote. Archibald Crossley predicted FDR would win by 53.8 percent, and Elmo Roper raised that to 61.7 percent. The President's actual share: 62.5 percent.

Political strategy

Polling credibility suffered another setback in 1948 when some polls suggested that Republican Gov. Thomas Dewey of New York would unseat President Harry Truman. Since then, in presidential contests at least, the polls have been remarkably accurate.

Virtually every incumbent senator uses polls, and 65 to 75 percent of House members have employed public opinion surveys at one time or another. Governors find polls useful, and many lesser officials try to get some kind of numerical reading on the electorate.

"Anyone running for President would be foolish not to use polls," says Albert H. Cantril, president of the National Council on Public Polls, an association of 18 leading national polling organizations. "There is an immense amount of information you can pick up from polls. Polls help you keep on top of what's going on and in planning political strategy."

"If polls are favorable, politicians will accept them," says Charles W. Roll, Jr., president of Polls, Inc., of Lawrenceville, N. J. "If the results are unfavorable, the politicians will not believe them."

Political intelligence

Mr. Cantril, who was a poll interpreter for President Lyndon Johnson, and Mr. Roll, who conducted private polls for the late Gov. Nelson Rockefeller of New York, are collaborators in a book entitled, *Polls—Their Use and Misuse in Politics.*

"Polls are political intelligence," they write. "However, as with all forms of intelligence, what is learned depends upon the care with which the information is gathered and the sophistication with which it is interpreted.

"The candidate who usually prevails is the one who most effectively responds to the concerns of the people. There is no better way to learn of these concerns than through opinion research."

Ignoring the polls can be hazardous to the politician's success. In 1969, former Gov. Robert Meyner of New Jersey decided to run again. He was well-known and well-liked. His opponent, Republican Rep. William Cahill, was relatively unknown outside his congressional district. Mr. Roll, who was conducting polls for Gov. Meyner, recalls what happened:

"Bob Meyner was running seven points behind, but his people refused to believe it. One of the governor's top advisers called me and said: 'Your polls are dead wrong, our man is way ahead.' I told him he could be right, but I urged him to find out what was going wrong and to try to correct it. Nothing was done. Congressman Cahill won with 60 percent of the vote."

Unpleasant findings

Sometimes polling can be hazardous to pollsters. Peter D. Hart, head of a Washington public opinion research firm, tells this story about a pollster colleague and his client, the mayor of a large eastern city seeking reelection, both of whom remain nameless:

The mayor called in the pollster for

Checking the Answers

Did you ever wonder whether some of the interviewers in public opinion surveys simply fill in the answers themselves, thus skewing the results?

Polling firms have an almost foolproof system of checks and balances to prevent such shenanigans.

One way is to validate the forms returned to polling headquarters, according to Albert H. Cantril, president of the National Council on Public Polls. Polling firms will do random checks of the respondents to determine if they were polled in the first place and if they were asked specific questions at the beginning of the interview, toward the middle, and at the end.

Many questionnaires contain cheater questions. These are worded in such a fashion that the interviewer can trap himself if he turns in a bogus poll.

Mr. Cantril says less than three percent of the interviewers who complete their training ever turn up as cheaters.



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a report and the findings were unpleasant. "Mr. Mayor," the pollster began, "12 percent of the people think you are a crook." The mayor picked up a small steel safe from a table and hurled it across the room at his visitor The pollster ducked and, making a hasty departure, told the mayor: "I'm not calling you a crook. The people are calling you a crook."

A clear case of trying to kill the messenger who brings bad news.

Generally, Mr. Hart says, a pollster with unfavorable news finds himself in the role of a doctor: "You don't want to give the bad news, but that's what they pay you for."

Refused to believe

Harry O'Neill, executive vice president of Opinion Research Corp., Princeton, N. J., agrees that a candidate who ignores poll results does so at his own peril. He recalls the 1964 presidential campaign in which Sen. Barry Goldwater of Arizona, the Republican standard bearer, was his client:

"Our first polls right after the Republican convention showed Goldwater well behind Lyndon Johnson. These figures hardly changed right up to election. Every time we gave the Goldwater people the newest poll results, they simply refused to believe. They kept talking about the silent vote that would come out of the woodwork on election day. I would tell them there was nothing in the woodwork. They weren't convinced."

Richard Nixon could well have forfeited the presidency in 1960 because he neglected to listen to the polls in the waning days of the campaign, according to authors Cantril and Roll.

Mr. Nixon was determined to fulfill his pledge of barnstorming in all 50 states. He flew to Alaska to nail down its three electoral votes.

"While he did carry the state, one wonders whether the time would not have been better spent on a whirlwind tour in St. Louis, Chicago, and Minneapolis-St. Paul—all areas that fell into the Kennedy column on election day by less than one percent," the authors note. "Precise last-minute polls in such key areas could have warned against the folly of flying off to Anchorage just before the closest election in the nation's history."

Political strategist William Roberts of Los Angeles, who with another highly respected political adviser, Stuart Spencer, helped Ronald Reagan win two terms as California governor, is now serving as coordinator in six western states for John Connally, a contender for the Republican presidential nomination. Mr. Roberts says: "I find polls very dependable and helpful. Sort of like a town hall. You can't really communicate with huge numbers of people today, so polls help you determine what people are thinking. We would never go into a serious campaign situation without a poll."

Specific issues

Mr. Roberts believes too many candidates pay undue attention to how they are doing against their opponents instead of using poll results to determine voter attitudes toward specific issues.

"In this business, you don't deal with reality, but with what people think is reality," he explains. "You may know that your candidate is well educated, but the people think he is dumb. That's what they are going into the voting booth with. So with that in mind you try to reeducate the voters. That is the value of political polls. They help give you direction."

Many pollsters are quick to point out that public opinion surveys register attitudes of the moment, and these are likely to change with events. Thus, President Carter's low popularity ratings today could be misread.

For example, both Pat Caddell and Charles Roll point out that presidents traditionally are at the nadir of public acceptance in their third year of office. President Nixon, it will be remembered, came back from low popularity ratings and soundly trounced his opponent, Sen. George McGovern, in 1972.

Idealized notion

Burns W. Roper, chairman of the Roper Organization in New York City, says: "Polls today don't show what Carter's electability will be a year from now. The President is being judged before his opponents have been identified, and he is being pitted against an idealized notion of what kind of candidate the opposition would like to see challenge Mr. Carter."

The system of taking and evaluating polls has changed little in recent years. A careful sampling of 1,500 to 1,800 people, pollsters say, will give them the same reading as interviewing 18,000 or 180,000 people. However, many factors are considered in picking those who will be interviewed. Sex,

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age, economic status, ethnic background, and party affiliation are some of the standards.

In presidential polling a new element has been introduced by Pat Caddell. In addition to seeking opinions on specific issues, his polls attempt to ascertain the mood of the country. Other polling firms may adopt this practice.

Ruth Clark, senior vice president and director of the public opinion division of Yankelovich, Skelly, and White, Inc., New York City, says her firm is now trying to develop a more meaningful way of measuring people's positions on various issues.

"What you get now is people saying they're for or against an issue to which they may never have given any thought before or on which they might change their minds if you came back the next day.

"We are trying to refine the methods we've always used in the past."

Phrasing important

Most pollsters shudder at the way their results show up in newspapers and on television. They will usually report that candidate A is favored by so many percentage points over candidate B. Pollsters would like the media to report the actual questions because they bear on the reading. Too, they say, only by analyzing all the answers can the true significance of a poll be drawn.

The way a question is phrased—although to glean the same information—will bring different responses. Mr. Roper cites four polls taken last March, which were designed to show voter approval or disapproval of President Carter. The approval ratings came out 49 percent, 41 percent, 31 percent, and 29 percent.

SALT II question

An example of how the question sometimes dictates the answer is shown in a poll taken last April to determine the public view of the SALT II agreement.

An NBC poll asked: "Do you favor or oppose a new agreement between the United States and Russia which would limit nuclear weapons?" A total of 68 percent responded in the affirmative.

But only 33 percent were in favor when a Roper poll put the question this way: "U. S. and Russian negotiators have reached an agreement on a SALT treaty. The treaty, which would last until 1985, limits each country to a maximum of 2,250 long-range nuclear missiles and bombers. As you know, there is a great deal of controversy over this agreement. Do you think the Senate should vote for this treaty or against it?"

Even a year in advance of the presidential election, pollsters see definite signs that pocketbook issues will play a large role in determining the outcome. Some pollsters detect a conservative swing all across the country, with growing voter resistance to high taxes, increased government spending, inflation, and runaway energy prices.

Mr. Roll says: "I have taken several regional surveys, and there is a definite Proposition 13 feeling in this country."

More conservative

"Everyone is uptight about taxes and inflation, and Iowa is in step with the rest of the nation as far as these issues are concerned," says Glenn H. Roberts, director of research for the *Des Moines Register & Tribune*, which has been conducting the Iowa Poll since 1943. "I feel the people are get-



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ting more conservative, largely in reaction to the economy."

George H. Gallup, Jr., chairman of the American Institute of Public Opinion and son of the founder, sees federal spending as a major issue in the 1980 presidential balloting, particularly if Sen. Edward M. Kennedy of Massachusetts is the Democratic nominee.

If he is, says Mr. Gallup, there will be voter apathy again, as in most presidential contests.

"His constituency is the lower income groups with less formal education and younger people," Mr. Gallup points out. "There is less voter turnout among the people Sen. Kennedy is most popular with."

Mr. O'Neill of Opinion Research says: "There is a more conservative economic attitude today than we've seen before. More people are being hurt by inflation. The key issues in the campaign will be inflation and energy."

Mrs. Clark of Yankelovich, Skelly and White takes a somewhat different view: "Labels like conservative and liberal don't mean anything. People still believe in helping the poor as long as you don't use the word welfare. Most favor national health insurance, lower cost housing, and jobs. Everybody will tell you they don't want any more government spending, but they'll come out for more highways, education, and all the rest. What they are really against is government waste."

Herbert E. Alexander of Los Angeles, director of the Citizens' Research Foundation and an astute observer of the American electoral system, is convinced that polls will continue to show the people deeply concerned about inflation, the diminishing value of the dollar, and government spending.

"You have a conservative mood in the country, but you have to temper that statement with some facts," Dr. Alexander notes. "People think taxes are high, but they are willing to pay for what they consider essential services while they hope the government is efficient.

"You can't say that Americans are interested only in saving tax dollars. Every time you take a poll you find people in favor of certain services that only government can provide. So I think you have a conservative mood largely because of inflation."

Lucrative business

In this national election year, more polling than ever will be done. Polling has become a lucrative business, and the number of firms is constantly expanding. More and more politicians rely on them. The three television networks budget hundreds of thousands of dollars on political polls, and their use by newspapers is growing.

With all the polling that goes on, people sometimes ask: "Why don't I ever get interviewed? I don't know anybody who has ever been contacted by a pollster."

Some years ago, the elder George Gallup thought he had an answer to that. At a social gathering in Princeton, a lady introduced herself and asked why she had never been interviewed. Dr. Gallup explained that her chances of being interviewed were about as great as her chances of being struck by lightning.

"But Dr. Gallup," she shot back, "I have been struck by lightning." □

To order reprints of this article, see page 86.

Rousing the Nonvoters

Even nonvoters are polled to get their views on political issues.

V. Lance Tarrance and Associates of Houston, Texas, polled 1,000 of an estimated 50 million Americans who represent half of the voting-age population that does not vote to determine what might draw them to the voting booth.

He found that seven to eight million nonvoters, or about 15 percent of all nonvoters, "are psychologically in the right frame of mind to reenter the electorate."

The survey, conducted for the Free Congress Research and Education Foundation, shows that these nonvoters are more interested in issues than in personalities.

"Charisma and personality may not be as catchy and as attractive as we once thought," Mr. Tarrance says. "I think we need a little bit more substance to get the nonvoter out. The idea that you can put a TV personality before the public and expect voters to come out automatically as they did 20 years ago isn't true anymore."



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Inflation czar Alfred Kahn reaffirmed the administration's opposition to mandatory wage-price controls when Labor Secretary Marshall raised doubts about the policy.



PHOTO: BRUCE HOERTEL

An Accord That Breeds Discord

The White House's agreement with the AFL-CIO on support of a tripartite pay panel raises a number of questions

THAT NATIONAL ACCORD the Carter administration signed with the AFL-CIO has raised hackles in the business community. Business leaders, chafing under the red tape of the fourth branch of government—the regulatory bureaucracy—now wonder if organized labor has been elevated into a fifth branch.

"No one elected the AFL-CIO to help the White House and Congress write national policy on a large number of issues," says Richard L. Lesher, president of the Chamber of Commerce of the United States. "That is why we find this accord to be objectionable, and a dangerous precedent."

The ambiguities of the accord itself, plus the administration's cavalier treatment of business representatives, left many in Washington wondering about the purpose of the exercise.

Encouraging support

Is it an attempt to flatter the unions into accepting restraints on their wage demands? Is it a bid for labor's election-year support? Or is it a sincere, albeit clumsy, try at uniting disparate economic and political forces behind the war on inflation?

The text of the accord contains some encouraging statements of support for sound economic principles.

It recognizes, for example, that:

- Control of inflation deserves "top priority."
- A "disciplined" federal fiscal policy is needed.
- Countercyclical spending programs "need to be approached with care."
- Such tax relief as is "appropriate" should contribute to "job creation, productivity improvement, and cost reduction."
- The nation must increase its exports and reduce its dependence on imported petroleum.

These are all points that the business community has been trying to make for years. Any indication that the administration and organized labor are wholeheartedly behind them is good news indeed.

Escape clauses

Unfortunately, the document also contains enough escape clauses to create suspicion about the sincerity of the commitment.

Perhaps the most worrisome of these escape clauses is the accord's support for the goals set forth in the Full Employment and Balanced Growth Act of 1978.

Once known as the Humphrey-Hawkins bill, this act establishes a target unemployment rate of four percent for 1983. Most responsible economists today believe that the structural, or background, level of unemployment in the American economy is higher than four percent and that any serious attempt to reach such an unrealistically low figure would be severely inflationary.

The accord contains several other potential budget-busters. It calls for programs to: Shelter the poor and the needy from the twin ravages of inflation and recession; assure access to home financing, at reasonable cost, for low and moderate income families; assure safe living and working places; and improve health services available to Americans.

Worthy goals. But it is the immoderate pursuit of objectives like these, through inefficient and costly federal programs, that brought the country to a 13 percent inflation rate.

There is also a touch of hypocrisy in the document. It recognizes that "international trade must be fair so that American jobs are not threatened by unfair restrictions on American goods and services or by unfair subsidies for goods and services of other countries."

But, two paragraphs later there's a call for the U. S. to "pursue maritime policies which will promote a strong merchant marine and assure that expanding American flag shipping services will make a growing contribution to the reduction of our balance of payments deficit."

Shadows of doubt

Since American maritime unions long ago priced themselves out of the international shipping market, the only way to promote a strong merchant marine is with big subsidies.

Is the White House saying that subsidies that benefit American interests are deemed necessary, while those of



"A political move" says U. S. Chamber's Richard L. Lesher of the accord the Carter administration signed with the AFL-CIO. He expresses the displeasure felt by many in business.

PHOTO: JOHN TRIMA



If the accord fails, would the administration back mandatory economic controls? Labor Secretary Ray Marshall said yes, then no in a subsequent clarification.

benefit to other countries are unfair? This "on the one hand, but on the other hand" tone casts doubt on the integrity of the whole undertaking.

Further doubt arises from the strange circumstances surrounding the conception and birth of the accord.

A year ago, the AFL-CIO denounced the administration's voluntary wage and price controls as unfair and inequitable and called for full, mandatory economic controls. AFL-CIO President George Meany said the "way to control inflation is to control it, not to throw cream puffs at it."

Last February, the labor federation announced a suit to block federal use of the only sanction connected to the voluntary program—withholding government contracts from violators of the guidelines. The suit was unsuccessful, but even so, the administration has not imposed any sanctions.

Now, the AFL-CIO has agreed to participate with business and public representatives in a tripartite Pay Advisory Committee, reportedly in exchange for administration consent to the accord. Officials of the Teamsters and United Auto Workers have also indicated their willingness to cooperate.

Why such a dramatic turnaround?

One theory is that the unions got by means of the accord what they could not get in court. Reports have been leaking out that there are "agreements" connected with the accord that do not appear on paper. One of these is said to be an administration pledge not to use sanctions.

Another possibility is that the administration is locking the barn door after the horse is stolen. More major labor agreements were up for negotiation in 1979 than at any other time in the last three years, although some big contracts do expire in 1980.

Finally, there is the internal political situation at the AFL-CIO. George Meany has announced his retirement. Possibly the accord reflects a desire by his prospective successor as president, Secretary-Treasurer Lane Kirkland, to demonstrate his ability and influence.

Other considerations?

President Carter's actions also may have been influenced more by political than economic considerations. There are for him obvious advantages to preempting labor support in the face of a possible primary challenge by Sen. Edward M. Kennedy (D.-Mass.).

If the nation's economic welfare was the sole motive behind the administration's pursuit of the accord, it is difficult to explain the shabby treatment of business throughout the process.

The accord itself acknowledges a need for "full involvement and cooperation of the private sector in order to wring out inflation." And yet, when reports of a revamped controls program surfaced in the news media, neither the U. S. Chamber nor the National Association of Manufacturers had been told its contents.

Treasury Secretary G. William Miller may have discussed the plans privately with individual corporate executives, as he claims, but the administration quite clearly made no effort to conduct negotiations with the business community comparable in scope to those involving labor.

The administration's failure to consult the U. S. Chamber was noted in a

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PHOTO: JOHN TROHA



Labor relations expert Robert T. Thompson urges consulting a broad range of labor and business representatives.

Sept. 27 statement by South Carolina attorney Robert T. Thompson, chairman of the business federation's labor relations committee.

He expressed the Chamber's fears that "this plan for the second year of wage-price guidelines ... may move the economy closer to mandatory wage-price controls which have always resulted in failure.

"Before establishing such a tripartite committee," Mr. Thompson said, "the administration should consult with a broad range of business and labor representatives. So far, they seem to have consulted mainly with the AFL-CIO."

Representatives of the U. S. Chamber, the NAM, and the Business Roundtable were hastily summoned to the White House the next morning and asked their opinion of a plan that was scheduled to be announced publicly a few hours later.

Grounds for concern

Under the circumstances, business leaders have grounds to be concerned about the impartiality of a pay panel on which the business representatives would confront public representatives selected by the administration and labor representatives with whom the administration has established a special working relationship. Further, the head of the committee is John T. Dunlop, who was labor secretary under President Ford and is said to have been the first choice of the AFL-CIO for that post in the Carter administration.

Business' dissatisfaction with such arrangements was repeated in a Sept. 28 statement issued by Dr. Lesher. He called the accord a political move and said: "If ever a national effort required unity, it is our anti-inflation program. Yet the President shows favoritism by giving labor unions some form of exalted status in a so-called two-party 'accord.'"

Labor Secretary Ray Marshall, described by United Press International as "clearly irritated" by the U. S. Chamber's charges, insisted that "business groups were consulted all the way through."

Raising a specter

Mr. Marshall went on to raise the specter of mandatory wage-price controls, a possibility repeatedly denied by President Carter and other administration spokesmen. The secretary said he was speaking only for himself, then stated:

"I think that the view would be shared by at least a number of others in the administration that if we don't make this work, then we will probably have to go more to selective controls or some other technique."

Following this hint of controls to come, the possibility was once again denied by an administration spokesman. This time it was presidential inflation adviser Alfred E. Kahn, who said "certainly that's not true," and affirmed "complete hostility" to any such idea among the administration's top policymakers.

Safe prediction

Mr. Marshall subsequently "clarified" his comment on controls, saying "I stated my and the administration's opposition to economic controls. . . .

"I did suggest if our new accord was unsuccessful, public and private political pressure would begin to build for measures to control the inflation spiral in certain sectors of the economy."

Who's on first? For obvious reasons, it is hard to say. But one prediction seems quite safe: The size of future budget deficits and the actions of the Federal Reserve Board will have far more influence on the course of inflation than Phase II of the voluntary guidelines. □

What's Ahead for Industrial Development —

A Pause Before Next Surge?

By John Adams

Modernizing and expanding America's factories, stores, and offices hit a torrid pace in the late 1970s and there's reason to expect high activity far into the 1980s. But recession effects are showing up, too.

In its annual look at industrial development, NATION'S BUSINESS brings you up to date on the pace and pattern of business growth; the impact of energy worries; the increased emphasis on cultivating-your-own-backyard with aid to existing businesses; prospects for action by Congress to require advance notice for company relocations.



Energy and Selectivity:

Keys to Development in the 1980s

EVEN OPTIMISTS in industrial development—and it's a field where optimism is the rule of life—now believe the most recent surge in industrial growth will hesitate and sag a bit, in months ahead.

A sizable growth surge began in 1976 as the U.S. pulled out of the mini-depression of 1974-75. The wave of expansions and rebuilding continued to swell through the early part of 1979.

By midsummer, first reports of slowing interest from European firms in U.S. plant expansions began to come in. Industrial planners say it is only reasonable for U.S. companies also to reassess their plans, in light of the chilling effect of inflated money and energy costs plus the querulous mood among American consumers.

Any pause, however, is expected to be followed by another big upturn in capital investment. The nation needs more of everything, and more modern plants in most of its basic industries.

Sharpening of '70s trends

The general climate for investment is improving, too. It's significant that the federal government is wheeling its massive weight, slowly and with the usual inefficiencies, away from demand-stimulation toward production-and-supply stimulation. Tax policies are beginning to reflect that shift in Washington sentiment. Easing of some environmental regulations may even be on the horizon.

What private industrial planners see, in effect, is a sharpening in the 1980s of trends that actually surfaced in the mid-1970s. Energy supply and selectivity in expansions programs, for example, will more than ever be watchwords for development.

Once taken for granted, the reliability of an area's energy supply and its likely costs now rank with nearness to markets as a top priority in the advance thinking about where to locate any large industrial venture.

A new uncertainty

Companies trying to read the energy tea leaves have a new uncertainty to crank into their guesses: Where will the federal government locate a proposed $88 billion network of plants to convert coal and shales to energy and feedstocks—and when will its plans be known? Several years may pass before the answers emerge in practical details.

Meanwhile, a widespread inclination is to expand where overall energy costs are lowest and markets are growing fastest. That tends to favor the southern half of the U.S. and the Northwest.

Clinton Hoch, executive vice president of The Fantus Company, location consultants and a subsidiary of Dun & Bradstreet Corp., tells NATION'S BUSINESS:

"In the 1950s and 1960s, for every new manufacturing job created in the Northeast and Great Lakes states, one new job opened up in the Southeast, Southwest, and Pacific states. In the 1970s, two new jobs have been created in that Sunbelt for every new job in the northern regions.

And about 85 percent of U.S. population growth since 1970 has occurred in the sunny states. We think that basic trend will continue. It's a fact of life."

In the long run, Appalachian states, such as Pennsylvania and West Virginia, may harness their vast coal resources to produce relatively cheap electric power for themselves and neighboring states and New England. But the South has the oil and natural gas, domestic and imported, and leads in efforts to expand supplies.

Lt. Gov. James E. Fitzmorris, Jr., of Louisiana noted recently that "LOOP"—the Louisiana Offshore Oil Port—got started with an over-subscribed $450 million bond sale in that state. Similar projects to speed the inflow of imported oil via supertankers have been held up on the East Coast by environmental hassles. Mr. Fitzmorris observes:

"Here's a symbolic example: Geological surveys show evidence of major oil and gas deposits along the periphery of Lake Erie. So far the Canadians have drilled over 900 wells on their side of the lake. How many have Americans drilled? Not a one."

Rising pressures

The last major oil refinery built on the East Coast was opened in 1957. Local opposition to such projects, primarily on environmental-risk grounds, has blocked about two dozen proposed refineries over the past 20 years. But pressures are rising for energy-producing facilities as oil scarcities worsen. A major refinery planned for the Wilmington, N.C., area may herald the start of a new era. (See the special report on page 62Y.)

In the 1980s, and beyond, some plan-

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ners are forecasting a water crisis ranking with energy worries as a critical factor in regional growth. For example, the dropping water table in six southwestern states, including the Panhandle of Texas, already is affecting long-range planning in one of the fastest-growing regions of the '60s and '70s.

Companies are more selective than ever about where they put a new plant, and communities are increasingly choosy about who they want for neighbors.

Fewer smokestacks

The high cost of money is one reason companies plan farther ahead, and set higher standards for a site, or even the idea, of an expansion program. With interest rates at record levels a venture now has to show prospects of "turning around" the capital—getting it back—in five to ten years. Ten to 15 years used to be a general yardstick.

The money factor and environmental hurdles help to explain why there have been relatively fewer "smokestack" projects—expansions of heavy manufacturing plants—in the 1970s than in earlier eras.

Ted M. Levine, president of Development Counsellors International, Ltd., New York City, points out that this is another major development trend that probably will continue. He sees it as part of the evolution of the U. S. into more of a services-and financing economy, importing a larger share of manufactured goods in one form or another "from countries that can do some things better than we can."

This trend happens to dovetail with the desire of local boosters to attract campus-like light industry and services such as trade association offices, nursing homes, office-hotel-entertainment complexes—"anything that brings in jobs, well-heeled consumers, and tax revenues," Mr. Levine reports.

One of the most successful drives of this type is in Fairfax County, Va. Approximately 130 trade and professional associations have now set up headquarters there. In the 1960s only two were located there. Many moved out from congested downtown Washington, D. C., to Fairfax's suburban atmosphere and lower rents.

There is talk that problem companies—those raising environmental issues or seeking substandard wage levels and extra tax abatements or other inducements—encounter more resistance now, especially in the South, from communities that once welcomed any kind of job-bringers. But specific cases of actual turndowns of newcomers are hard to find except in a small group of industries such as oil refining.

Competition as keen as ever

A New York observer put it this way: "Sure, communities are skittish about anything remotely connected with pollution of any kind. They all want white collar payrolls and no smokestacks. But even Westchester County, which has had great success in attracting corporate headquarters, wants more firms to locate there. People are very much aware that business development means jobs and tax income. So, except for some of the more radical environmentalists, they're not going to openly oppose reasonable projects."

Bob Cassell, executive director of the Southern Industrial Development Council, adds this: "Generally, competition is as keen as ever for new industries and the jobs they promise."

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even some actions along that line in a few states and communities in past years, have been supplanted by stepped-up drives to attract new development in most states.

One feature of the development sweepstakes now is the offering of tax aids and other inducements by many northern states that once scorned their southern cousins for offering such freebies.

"Pennsylvania has as many giveaways as any state," according to one source, "and New York is going the same route. Ohio is coming up with more goodies all the time."

Eliminating irritants

Not all the states are jacking up tax incentives. Asked if Virginia has any new wrinkles to induce development prospects, J. Frank Alspaugh, director of the state's industrial development division, says: "Our only wrinkle is that we have no new wrinkles. We don't believe in tax abatements to newcomers at the expense of our established businesses."

The policy is stated flatly in an official brochure: "Virginia tax law treats all industries equally, with no special exemptions for new or expanding firms. Rather than attempting to lure companies into the state with windfall tax savings, the commonwealth has endeavored to eliminate tax irritants and to maintain a reasonable level of taxation on industry."

On the other hand, Virginia like most other states is expanding financing aids including industrial revenue bonds, and the legislature recently chartered a privately financed Virginia Industrial Development Corporation to be a lender of last resort to small businesses.

Funding through bonds

More than half of the local governments in 21 states were providing low-cost loans to industries in 1978. The loans usually come through a local development agency or corporation, which gets its money from tax-free bonds—probably the fastest growing method of financing industrial development now.

All major states are moving as fast as they can to figure out ways of capturing their share of the industries that can bring prosperity in the last two decades of this century.

"New York has definitely rebounded in the last two years," reports Richard Harrington, deputy commissioner of that state's industrial and corporate



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"We've been helped tremendously by cuts in the state's personal income tax. It has been reduced from a rate of 15 percent on net income to 12 percent and will drop to ten percent by 1981.

"The tax has been a sore point for years, especially with middle and upper income management people. We also have a better incentive package."

California has set up a new department of economic and business development, partly to offset unfavorable publicity generated by some of Gov. Jerry Brown's past policies.

Spokesmen say California enjoyed an above-average expansion rate in 1978, and they expect the tax reductions following from Proposition 13 to bring in even more businesses.

A study by state economists says that "overall business taxes were reduced by nearly 40 percent" as a result of Proposition 13.

A real boom

Betty Bryant, director of California's Department of Economic and Business Development, says: "California is in the midst of a real boom, primarily in electronics manufacturing, and we expect to see it continue.

"We are seeing the first scattered effects of the recession. If it deepens some areas and industries will be hit harder than others. But California as a whole is going to weather any downturn better than the rest of the country. We always have because we are a growing region with a tremendous diversity of resources and markets.

"The present boom is not of the same magnitude as the expansion of the late 1950s and early 1960s, but it's big enough that growth is spilling over into areas that did not get overrun earlier. Our biggest problem? Housing. It's scarce and very high-priced in some of the boomiest places."

As part of the effort to improve its welcome mat to business, California has opened a "one-stop-permitting" office to cut red tape for firms seeking to build or expand—a device adopted by a number of other states in recent months.

Focus on higher wages

In regional terms, another important trend now is for southern states to focus their efforts on higher-wage industries.

Gov. James Hunt of North Carolina told a news conference at the start of 1979: "We still welcome expansion in our traditional manufacturing industries such as furniture, textiles, and apparel. But we are trying and succeeding in diversifying our industrial base. For example, the greatest category for projected new jobs this year will be in machinery operations. . . .

"Many of these new industries tend to pay higher wages. Over 60 percent of the jobs that will come out of the capital investments announced last year will be in industries such as machinery, tobacco manufacturing, food production, electrical machinery, and fabricated metals."

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economic development for the North Carolina Department of Commerce, reports inquiries from prospective investors were ahead of those in 1978 in the first six months of 1979, and that the state would have well over $2 billion in new investments announced through the year, representing 35,000 new jobs when all the projects are up to speed.

Other development innovations catching on around the country include: the use of industrial revenue bonds to help existing and new businesses pay for pollution control equipment; more sophisticated and costly research into all aspects of development; the adoption of regional or common market campaigns that cut across state lines if necessary.

The latest example of a common market is formation of the Washington-Baltimore Regional Association, set up to sell that metropolitan area as one big and affluent market.

Industrial realtor's view

For a firsthand look at the national development scene from someone who is on the firing line of industrial site markets, NATION'S BUSINESS interviewed Hugh J. Zimmer, president of the Society of Industrial Realtors. Mr. Zimmer gave this report on September 18: "Recently we've had signs of tightening money from long-term lenders, but funds are still available. Though interest rates are high we are in a credit crunch like we faced in 1975. It's just that demand for financing projects is still strong."

"The areas of fastest growth lately include southern California, Los Angeles to San Diego; northern California, San Francisco and Stockton; Denver; Dallas; Chicago; and Atlanta.

"Patterns of development now include more in close-in locations, even for some light manufacturing, because developers think that might help cope with gasoline supply problems.

No death knell yet

"That, in turn, has helped encourage a lot of talk about a slowing in suburban growth. But I would not sound the death knell for the suburbs yet.

"What is happening is that many suburbs actually are evolving into self-contained economies and work centers; almost satellite cities in the larger metropolitan areas.

"You don't hear much overt no-growth talk, but you do sense an undercurrent of that attitude in local decisions on zoning and land-use regulations. That seems to be spreading, especially in rapidly expanding areas and suburbs.

"Condominiums for both office and industrial-commercial space represent an approach I believe you're going to see a lot more of in the next few years.

"Doctors, for instance, are using condominiums for their offices and clinics. There is a project in Orange County, California, where small units of space—4,000 to 10,000 feet for light manufacturing and distribution operations—are available in a condominium setup. People are looking at a number of similar projects elsewhere."

The epic '80s?

If industrial developers get the chance, they may be the spark plugs for an epic decade of rebuilding America in the 1980s.

Much of the country's industries—and virtually all of its infrastructure such as roads, bridges, railways, airports, housing, and sewers—need repair and expansion.

How to finance all the desirable projects will be the subject of hot debate. One straw in the wind is a budding argument over the role of private pension funds in regional economic development.

Pension fund monies

A staff report of the antitrust subcommittee of the Senate Judiciary Committee, released in late July, quotes testimony from unions, consumerists, and local government officials to the effect that union pension funds in northeastern and midwestern states often have been invested in nonunion companies and in development bonds in Sunbelt states.

The report notes that federal law requires pension fund investments to be based on economic factors, but declares that "social investments can be profitable."

For the immediate future, the sales and production lulls that surfaced in mid-1979 almost certainly will cause industrial development to slow or decline in the spring of 1980. The slowing of development normally lags behind a recession by about a year and its pick-up usually starts about a year after the recession ends.

"With luck, we'll be going flat out again by spring, 1981," says one development expert. He adds:

"I'm looking for a bigger decade than the 1970s. And that was the biggest ten years on record—a trillion dollar exercise in building a bigger, better nation." □

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Prenotification of Plant Closings:

A Union Flagship for the 1980s

FIRST MOVES, timed to coincide with a recession and an election year, are now under way in Congress to clamp federal controls on corporate decisions relating to plant closings and relocations.

The idea is to require a firm to give up to two years' advance notice before it closes or relocates a plant and to make it pay extra benefits to workers involved.

Realistic backers of these proposals do not think they have much chance of succeeding in 1980 unless a deep recession brings widespread plant cutbacks and shutdowns. In that economic climate, and with a presidential and congressional election under way, experiments in governmental controls can be expected to get farther along the legislative track than in normal times.

Prime mover

The United Auto Workers union is the prime mover behind prenotification measures. But other AFL-CIO unions solidly support the concept and are letting it be known that this type of legislation will be one of their flagship campaigns in the 1980s.

Three bills were introduced in Congress on July 31 to carry out the unions' objectives. Sen. Donald W. Riegle, Jr. (D.-Mich.), introduced S 1608, and its companion bill, HR 5040, was introduced by Rep. William D. Ford (D.-Mich.). A similar bill, with important differences, was introduced by Sen. Harrison A. Williams, Jr. (D.-N. J.), as S 1609.

The Ford/Riegle bill, entitled "The National Employment Priorities Act of 1979" will be the subject of hearings in Detroit and Washington, D. C., through late 1979 and early 1980.

The Williams bill, entitled "The Employee Protection and Community Stabilization Act of 1979," also will be explored at extensive hearings in Washington and around the country.

Public debate

Thus, the backers hope, the air waves and the press will frequently be carrying theater in the form of witnesses and debates about factories closing or reducing operations. Supporters believe that will create a climate of public opinion that may move Congress to take action it has refused to consider very seriously until now. The first legislation of this type was introduced by Rep. Ford and then-Sen. Walter Mondale, now Vice President, in 1974.

Desultory hearings then attracted little attention, and the whole idea got left behind in the roaring economic recovery that started in 1976.

At least ten states, however, have flirted with the idea of trying to control plant closings and relocations. Two states—Maine and Wisconsin—actually passed laws requiring prenotification and establishing some penalties for employers who moved plants, but the strictures reportedly are generally ignored.

Ohio supporters of relocation restraints have fashioned a proposal reminiscent of the bills now before Congress. The Ohio plan would require two years' advance notice of any intent to move a plant, to close one, or to cut back operations.

An employer would have to pay ten percent of wages for laid-off employees into a community assistance fund, as well as one week's severance pay to all displaced workers for every year of employment. Enforcement would be vested in an Employees and Community Assistance Administration.

Industrial hostage bill

A similar proposal in Connecticut was stopped by opponents led by the state's Business and Industry Council. Members convinced the state legislature that such an industrial hostage bill would show investors that Connecticut was hostile to business and scare them away.

Rhode Island, New York, Oregon, Massachusetts, Michigan, and New Jersey also have been looking at prenotification and aid to displaced workers.

A lull in state activity seems likely in 1980 while attention focuses on the

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Energy availability is a primary concern in plant location. Areas with bountiful supplies have a decided advantage.

Ford/Riegle and Williams proposals.

The major difference between the two approaches is that the Ford/Riegle plan gives the Labor Department the major role in investigating plant closings and enforcing penalties against employers.

Steady exodus

Sen. Williams's bill puts more emphasis on ways to help workers and local community agencies take over a plant and keep it going, where that seems possible.

Sen. Williams told the Senate on July 31:

"Since the end of World War II, the United States has experienced a steady exodus of economic resources from older industrialized cities in the Northeast and Midwest to the South, the Southeast, and abroad.

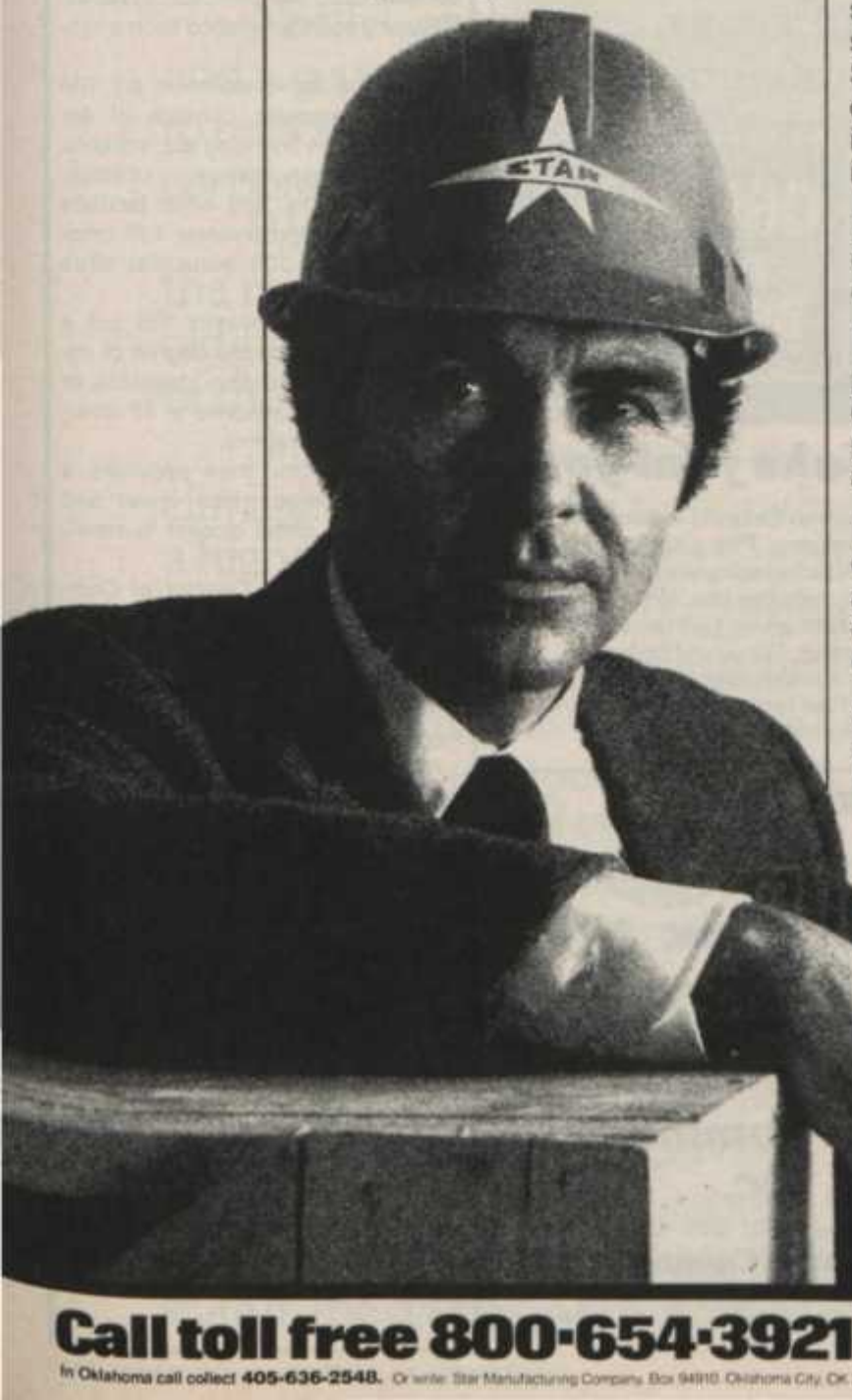
"In the last decade, plant shutdowns have occurred with alarming frequency and there is little reason to believe this trend will decrease in the near future.

"An estimated 500 industrial plants in my home state of New Jersey have closed their doors since 1965. Since 1969, New Jersey has lost over 115,000 factory jobs. Michigan and Ohio have

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lost nearly 100,000 each in about the same period, and one survey shows a 900,000 job loss in the Northeast and Midwest.

"I believe the economic dislocation of plant closings will become one of the major domestic issues this country will face in the 1980s."

Fight of its life

Opponents of the Williams/Ford/Riegle suggestions, including the U. S. Chamber of Commerce, point out that the location of a factory has to be determined solely upon economic factors if the business is to survive. They also stress that American industry is in the fight of its life with foreign competitors, and restraints on mobility would be a fatal burden in some cases.

They also believe prenotification would be impossible to enforce, be of little practical value, and allow a foot in the door for further invasions of management decision-making by outsiders, including politicians.

They plan an all-out defense against "an idea whose time has not come; not yet, anyway," as one spokesman put it. □

Computerized Site Selection: "Good Selling Tool"

Gone, for the most part, are the days when state and local industrial development agencies were usually havens for political glad-handers and money men. The 1980s-style development aides increasingly are economists, engineers, and other professionals.

A symbol of the innovative techniques they're bringing to the field are computerized site selection systems. Missouri recently installed such a system.

The data bank, stored in an IBM 370-145 computer, consists of detailed facts on financing aid, schools, labor, transportation, utilities, churches, parks, and other facilities available in approximately 175 communities and 300 industrial sites across the state.

A prospective investor fills out a checklist indicating the degree of importance—unnecessary, desirable, or critical—that he attaches to 95 different community factors.

The computer then provides a printout showing which areas and communities come closest to meeting his needs.

Missouri Deputy Director of Commerce and Industrial Development William Borgmeyer says that "the computer makes a good selling tool and helps a lot in responding to initial inquiries.

"It requires a great deal of data collection at the outset. Then you've got to have continuous monitoring and updating to keep the information accurate and useful.

"For that, good cooperation from your local communities is imperative, since only they have the information about changing conditions in their areas. Local chambers of commerce are vital links in the system."

A number of other states have computer referral systems or plan them, and the U. S. Department of Agriculture has sponsored a pilot program for a computerized site referral service covering industrial parks in several western states.



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Cultivate Your Own Backyard—First

THE LATEST addition to the jargon of industrial development is EBA—Existing Business Assistance. It refers to a growing emphasis on the care and feeding of established industries and businesses.

John W. Cawthorne, executive director of the National Association of State Development Agencies, tends to snort when asked about this twist in development trends. "The fact is," Mr. Cawthorne declares, "at least seven years ago our state development agencies began to set up special programs intended to help the firms in their own backyards. You may be hearing more about it now but it is a long established practice."

Historically, about one half of all new jobs generated by industrial development has come from the expansion of existing businesses, though the proportion varies from year to year and region to region.

Right now, hyper-inflation in construction and relocating costs is giving an extra boost to the cultivate-your-own-backyard-first idea. So is the uncertainty about the economic outlook, heightened by the mid-1979 recession. A company can justify spending $100 million on an addition to a plant when putting five or ten times that much in a totally new operation may seem too risky.

Also expansion or rehabilitation may sidestep most of the environmental, social, and political hassles that go with moving into a new location. It's almost sure to be faster. Just finding a new site now takes three to four years, when one to two years was required in the past.

EBA at work

The basic thrust of the EBA concept is to make the most of what you've already got. Sometimes that means making lemonade out of "lemons."

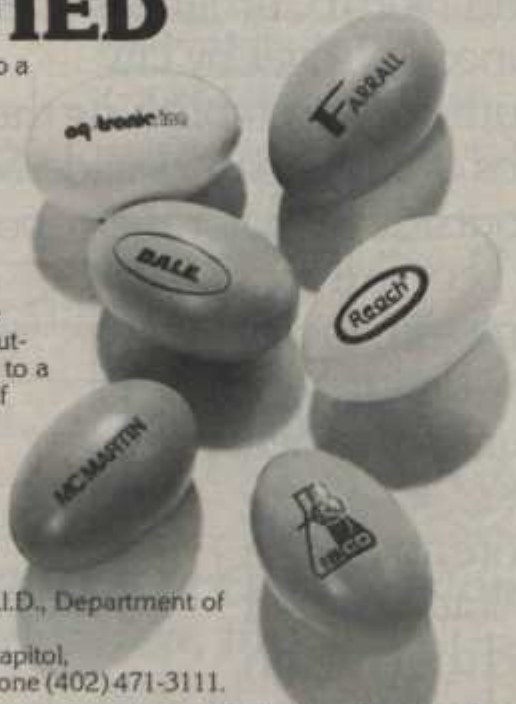
A good example of that is the successful conversion of some surplus military bases into going, tax-paying business centers.

In the past ten years the Defense Department has closed 140 bases in 39 states. A special Office of Economic Adjustment was set up in the Pentagon to help communities hit by base closings and other defense cutbacks. It issued a report not long ago—*Communities in Transition*—that describes 20 examples of successful conversion of ex-military sites.

Missouri set up an EBA program a year ago and reports that it was a factor in projects creating 1,730 new man-

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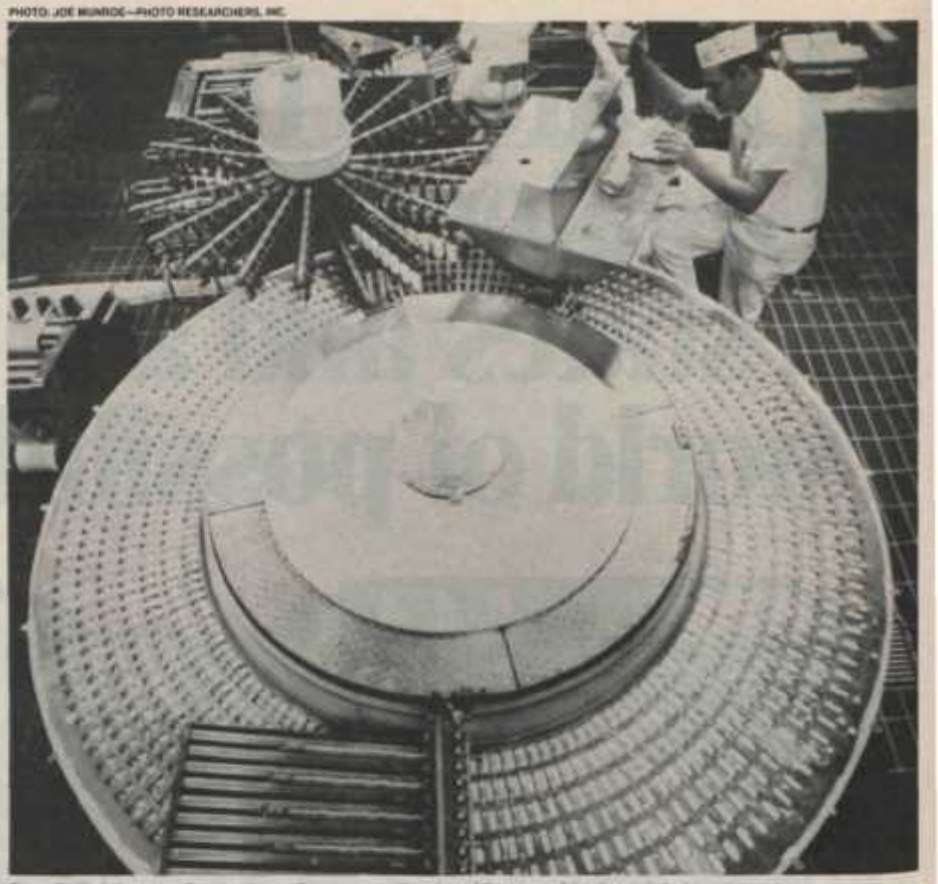
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PHOTO: JOE MUNROE—PHOTO RESEARCHERS, INC.



Small, light manufacturing plants are the backbone of industrial development. This automated ice cream manufacturing facility is in West Allis, Wis.

ufacturing jobs in the first six months of 1979 accounting for about one third of all new jobs created in the state during that period.

Sometimes the game is to rescue a project that was "outbound" from a state. James B. Vaughn of California's Office of Business and Industrial Development in Sacramento recalls that in late 1978 state officials heard that a corn products manufacturer was looking at several out-of-state sites for a syrup-making plant.

The company had several plants in California but feared the difficulty of getting a new facility past all the environmental and regulatory hurdles.

"We sent representatives to their headquarters in New Jersey and promised special help on permits and other problems," Mr. Vaughn says, "and they finally decided last May to build the plant in Stockton. The financial press says it's a $60-million deal."

Parks and incubators

One way of finding happiness at home is to assemble a parcel of land and dedicate it to the needs of compatible businesses and industries. The result is usually called a park of some kind.

That concept was in its infancy in the 1940s, flowered in the 1950s, exploded in the 1960s, went bust in the mid-1970s, and now is moving forward again.

L. L. Liston and R. J. Saul, in a definitive study published this year by Conway Publications, Inc., of Atlanta, Ga., estimate that by 1978 more than 4,300 complexes—twice the number existing in 1970—met the definition of an industrial park: At least 25 acres under one ownership, with protective minimum requirements.

The authors predict that by 2000 more than 75 percent of all new business facilities will be locating in parks. But they won't be the vacant acres of land no one wanted that often have passed as parks.

Specialized parks

Alert communities now know that they have to come up with real park-like areas to attract investors. Many future installations will be specialized, such as airport parks; pipe parks for interrelated chemical process plants that exchange products via pipelines; advanced standards parks where offices and light manufacturing mingle in aesthetically pleasing, campus-like developments.

Another grouping idea is the incubator concept: Providing basic facilities in a building or group of buildings for a number of small businesses that could not pay for the space and services on

The Hot Pursuit of Foreign Firms

"The hottest thing in industrial development today is the race to seek and secure foreign investors for your state or region." That's a comment from one well-posted observer of the industrial development scene in autumn, 1979.

The table below shows the latest figures on the phenomenal invest-in-America movement by companies abroad, led by West German concerns.

As the figures show, this invasion began in the 1960s. But it took off in the last half of the 1970s. Last year, direct foreign investments reached an estimated total of around $40 billion, about six times the 1960 level.

Some of the rise is a tribute to selling efforts mounted by state development offices. At least 30 states now have offices in foreign countries, whereas only three had such outposts in the sixties.

But the basic impetus for explosvie growth of foreign investments comes from the depreciation of the dollar, which makes purchases of U. S. facilities and businesses cheaper than they used to be for foreign buyers.

Other factors: Rising labor costs and labor troubles abroad, the desire of both European and Japanese firms to get entrenched in the lucrative western hemisphere markets, and the blandishments offered by various states and regions anxious for foreign investment.

Manufacturing ventures accounted for nearly one half of all foreign direct investments until a few years ago. Now a larger part of foreign money is going into real estate, farms, banks, hotels, and similar commercial ventures and operations.

Some fears are expressed about a tidal wave of foreign money gobbling up America. Most development experts mostly think that's more amusing than frightening. "We're spending hard cash trying to insert ourselves into the jaws of that monster," one said. He pointed out that "our investments abroad still are about four times as big as foreign investments here."

On July 27, Volkswagen of America, Inc., offspring of the West German automaker, made a revealing announcement. It plans to open a second auto assembly plant, following the success of its first plant near Pittsburgh, but hasn't decided on a site. "About a dozen states are being considered," a spokesman says. Economic facts—nearness to markets, energy supplies, and the like—will determine the final choice. But sweeteners from the winning state and locality will play a part, too.

Overseas Investors Step Up Their Bets on The United States—in the United States

	Foreign Direct Investments (In billions of dollars)				
	1960	1965	1970	1977	1978 (est.)
Total	6.9	8.8	13.2	34.1	40
Manufacturing facilities	2.6	3.5	6.1	13.7	16

Source: Through 1977, "Impact of Foreign Direct Investment on U. S. Cities and Regions," a report for the U. S. Dept. of Housing and Urban Development by Analytical Sciences Corp. of Arlington, Va., 1978 estimates, business and industry sources

their own but may afford them on a share-the-overhead basis.

One incubator is sponsored by Control Data Corp., in a business and technology center in St. Paul, Minn. They plan similar centers in other cities.

Another version is the industrial incubator operated by Lake Superior State College in Chippewa County, Mich., where a plastics firm and other ventures share space and equipment.

Seen more as a curse than as a blessing by some, if not most, business people, federal financing aids are destined to play an increasing role in industrial-commercial development during the 1980s.

The major emphasis is likely to be on distressed areas in inner cities, with most programs geared to minority-owned and small businesses.

Alert investors, however, can some-

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North Carolina Refinery May Be A Breakthrough

If it is built, a proposed $400 million oil refinery near Wilmington, N. C., will be the first major refinery opened on the East Coast since the 1950s. And it may start a parade. The eastern United States needs about a dozen similar refineries to ease gasoline shortages.

Brunswick Energy Company, a partnership of Crown Central Petroleum Corp., Steuart Petroleum Co., and Federal Paper Board Co., hopes to have the new refinery producing about 150,000 barrels a day of gasoline and fuel oil by 1984. Crown and Steuart had tried to build refineries near Baltimore and in St. Mary's County, Md., on the Chesapeake Bay, but abandoned the projects because of stiff local opposition.

North Carolina officials are hopeful the BECO project will go forward on schedule. "Those people have done everything right so far," said one state spokesman in August. "They contacted every group in the community that has an interest in this type of thing, and they are keeping everybody informed as they go along."

Spokesmen for BECO take no chances on stirring up any opposition to the refinery. They refer all questions to the opening announcement last January by Henry A. Rosenberg, Jr., Crown Central chairman and chief executive officer, who said:

"When this refinery is built, after passing all of the rigorous tests and examinations required by local, state and federal governments, we promise you that North Carolina will have here in Brunswick County a refinery that will be a showcase . . . environmentally clean, industrially safe and secure, and economically productive.

"I would like all of you whose image of an oil refinery derives from driving along the New Jersey Turnpike to put that image out to pasture. An oil refinery built today is a totally different animal. The technology and the aesthetics make it a very acceptable neighbor. It is both clean looking and clean living. I won't go so far as to say it is pretty, but judging by some of the sculpture one sees nowadays, I'm not sure that it isn't."

times find special help in such things as incentive loans or grants aimed at preserving historical areas.

Chosen instrument

Results of government aid are mixed, to use the official circumlocution for failure. The Economic Development Administration of the Commerce Department is the Carter administration's chosen instrument for passing out assistance to cities and counties that apply for Washington's help.

EDA says about 2,000 of the nation's 3,140 counties have enough economic problems to qualify for public works grants, development loans and guarantees, or planning grants.

The EDA still is building its network for processing aid applications. Three new EDA regional offices—in New York, Boston, and San Francisco—are being opened.

If the recession worsens, competition for EDA grants will rise. But Congress is planning to pour additional money—at least one billion dollars a year for the next four years—into economic development, probably through regional



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Jobs and an expanded tax base are prime reasons for the intense competition among localities and states for industrial development. The taxes that business and the workers contribute pay for the growing demand by residents for more services.

commissions similar to those set up in 1965 for Appalachia.

No amount of federal or other government aid can be a substitute for the basic factors of desirable living conditions and local government attitudes.

Fierce competition

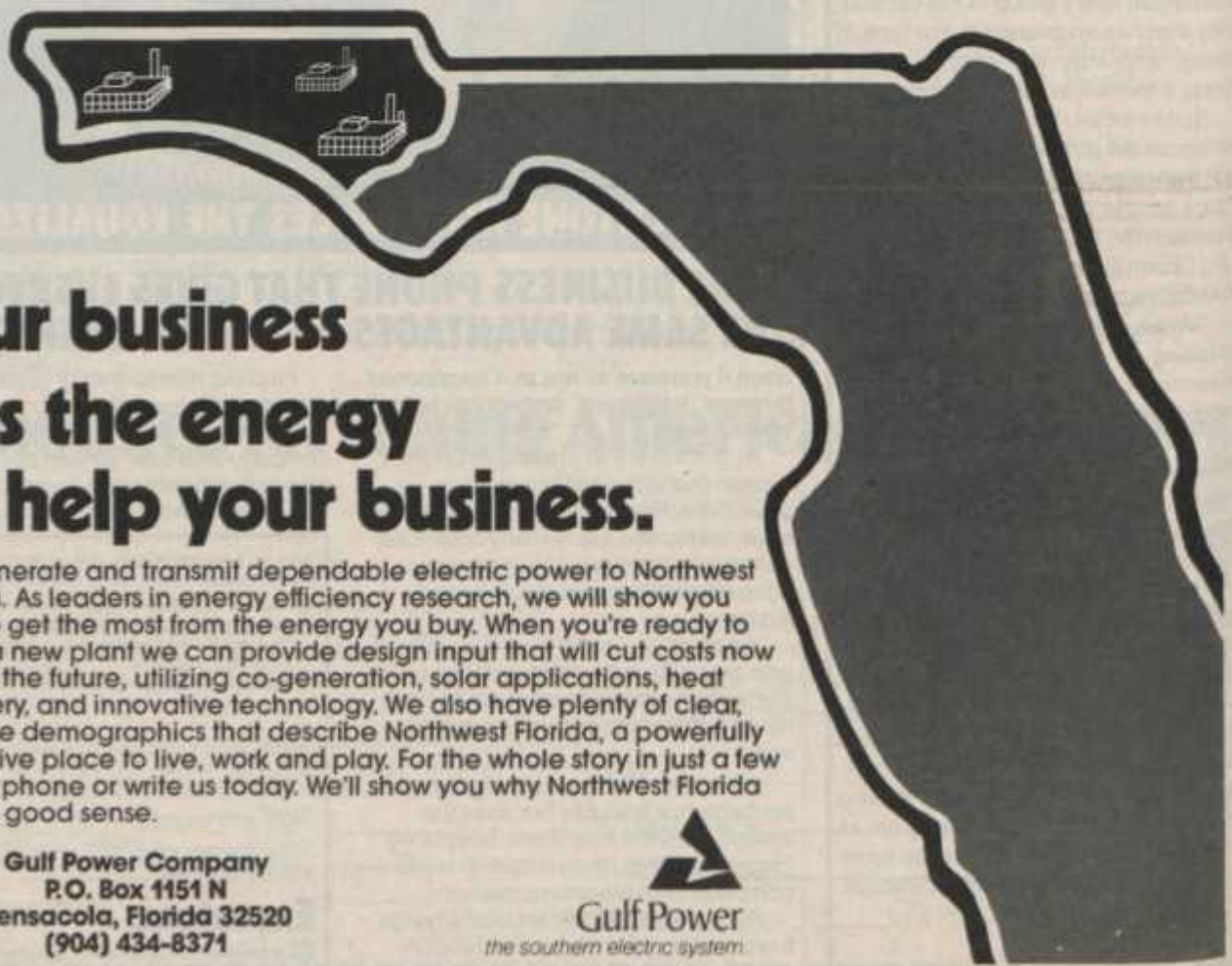
A study released by the Joint Economic Committee of Congress surveyed 1,290 firms in ten central cities. It concluded that "competition to attract industry is fierce."

The study states:

"Tax rates, business costs and labor factors, in general, are not viewed as important as the quality of life. . . . Respondents overwhelmingly cited the need for reduced federal paperwork and regulations.

This was the single most widely expressed sentiment and was universally stated by all types and sizes of firms in all cities. . . .

Programs and policies which respond to a particular business need will probably be of limited success in encouraging firms to expand or attract new firms if they are not part of a comprehensive effort to upgrade the quality of life in the city." □

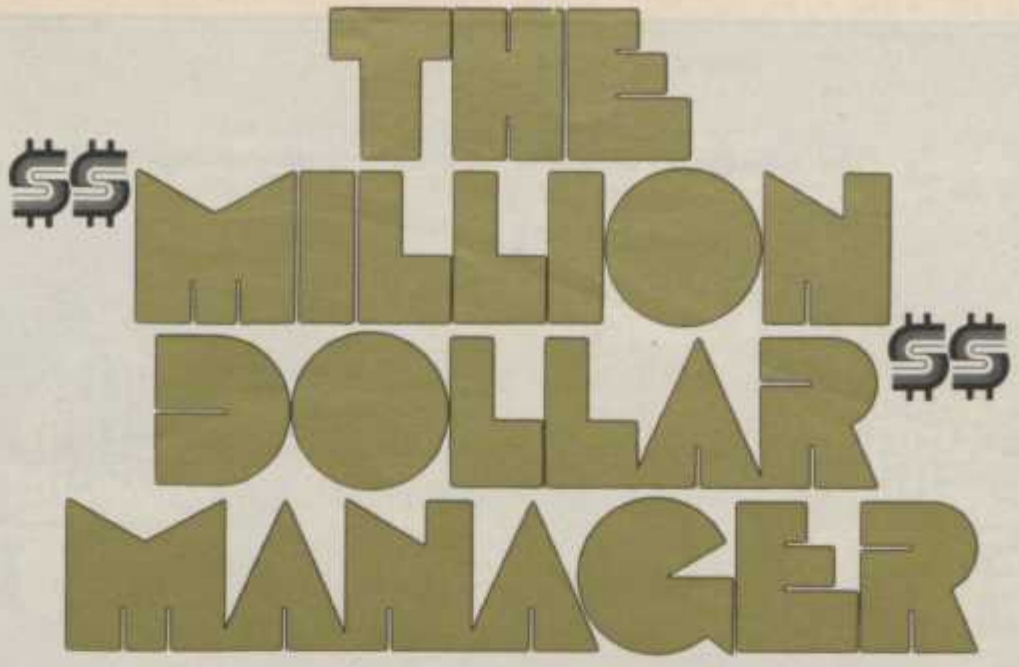


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Inflation pushes more executives into an exclusive club

By Robert E. Sibson

THIS COULD BE the year of the million-dollar executive. More than a dozen top managers received $1 million-plus in 1978, but this year about 36 executives will probably break the $1 million mark.

Almost all the members of last year's million-dollar club worked for major firms, and a large part of their compensation was in bonuses resulting from extraordinary business performance. Their salaries plus bonuses alone averaged about $450,000. The other half of what they reported as income for tax purposes is actually gained from the exercise of stock options or long-term income grants.

Even so, $450,000 is a great deal of money. However, 20 years ago when Sibson & Co., Inc., personnel consultants, conducted the first annual management compensation study, the executives who earned more than $100,000 a year from combined salary and bonus were the top earners, and that figure was startlingly high then.

The difference does not mean that top executives earn four and a half times as much money today. After inflation and taxes, $450,000 actually buys less than $100,000 did 20 years ago. And if inflation continues at the same rate through 1999, highly paid executives could earn more than $2 million in salary and bonus, but would be no better off.

Based on that assumption, managers of moderate-sized businesses doing $50 million in sales would earn more than $1 million a year, and MBA graduates would start at more than $100,000 by 1999. By comparison, a local phone call in the same inflationary environment would cost $1.

Substantial portion

Bonuses, perquisites, long-term income awards, and special benefits represent a substantial portion of managers' total pay. In large corporations, bonuses and values accrued annually from long-term income payments can equal or even exceed salary levels.

Bonus payments are a function of the salary level of the job itself and operating results. Bonuses paid in 1979 will be about the same as last year, which was an all-time high. All bonus payments, however, must be evaluated in light of business performance.

The same can be said of long-term income awards. While the awards also tend to be a function of salaries, they must be evaluated against operating results over a three-to-five year period. This is just one of the errors in reporting gains from options exercised in a single year as income for that year.

All firms surveyed this year have attempted to stay within the government's wage guidelines, budgeting seven percent or less for management salary increases. Overall salary increases averaged slightly more than eight percent. But translated into the mathematics of the government's guidelines, the average was actually less than seven percent. The figure is in line with the 15-year trend of management salary increases.

The average increase by position amounted to seven percent. This figure reflects the salary increases for all managers in 1979 who were in the same position last year.

However, the average salary increase received by all managers was more than eight percent. This covers both 1978 and 1979 data, even though some managers changed jobs. The eight percent figure incorporates increases due to promotions and organizational changes.

Annual reviews

Nearly all companies today review managers' salaries every year; about 20 percent of executives receive no increase. The reasons vary and often involve special circumstances such as illness or nearness to retirement. For those who got raises, however, the increase amounted to ten percent.

Almost all large public corporations have generally complied with Presi-

MR. SIBSON *is the founder of Sibson & Co., Inc., Princeton, N. J. His article is based on an extensive management compensation study.*

Salary Levels of Key Executives

(In thousands of dollars)

Sales (In millions of dollars)	Chief Executive Officers	Division Managers	Top Marketing Manager	Top Manufacturing Manager	Top Financial Officer	Top Personnel Officer
Small Company						
From $2 to $5	55	30	44	29	20	22
From $6 to $12	66	42	50	34	24	25
From $13 to $25	79	53	56	41	29	27
Intermediate Company						
From $26 to $50	92	65	66	46	37	33
From $51 to $100	114	78	72	56	44	39
From $101 to $150	129	85	77	67	53	44
Large Company						
From $151 to $250	156	94	83	74	65	53
From $251 to $400	181	102	87	79	78	63
From $401 to $600	201	121	93	84	87	70
Very Large Company						
From $601 to $750	219	(a)	98	86	96	87
From $751 to $1,000	235	(a)	104	94	107	97
From $1,001 to $3,000	266	(a)	127	118	129	117

(a) Too few positions to report average.

dent Carter's wage guidelines. One study indicates that only one out of 20 firms had difficulty in complying with the guidelines in paying managers.

Next year could be troublesome, however, partly because the annual cost of living rate has been consistently above seven percent and is expected to remain high. For most people, real earnings have declined.

Favorable to managers

The nature of wage guidelines means inevitably some compensation practices that will favor certain employees, including managers. For example, companies with formal pay plans are favored over those with informal ones. Also, companies that had bonus plans plus good business results in the base year are favored over firms that did not.

No set of guidelines, no matter how well meaning, can avoid such discrimination, which tends to disrupt previously established pay relationships.

Some economists believe that the current guidelines are more than just a passing phase and may actually become a permanent part of the American business scene.

This is the fourth time the federal government has set guidelines, and the intervals between established standards are becoming shorter. Business may be in for a long spell of intermittent wage controls.

The guidelines as well as other governmental actions show the federal trend toward influencing both the levels of pay and the actual pay practices. Whether these management functions should be performed by the government is questionable in a free enterprise system.

Relevant survey data

Because inflation erodes salary increases, pay levels for key managers must be reviewed annually. The most important level is the chief executive officer's salary—the ceiling that affects all other management salaries.

Other management positions can be set only through relevant survey data, which should carefully define the job content. For example, while great similarities exist between the chief executive officer, division manager, and key corporate functional manager, job titles alone are not enough for comparison.

Keeping all management positions competitive is becoming more complex and time consuming because of the increasing number and diversity of management jobs.

One pay problem common to almost all companies is compression—a situation in which an inequitable difference in pay exists between two individuals. The problem is especially acute among managers. For example, two managers with the same title may earn about the

Average Bonus and Long-Term Income: 1979

(In thousands of dollars)

Salary	Average Bonus	Average Annual Long-Term Award	Average Total Pay*
30	7	5	42
40	10	9	59
50	14	15	79
75	18	22	115
100	35	42	177
150	48	70	268
200	90	130	420
250	127	190	567

*Excluding benefits and perquisites.

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Total Pay for Chief Executive Officers

Sales (In millions of dollars)	(In thousands of dollars) 1973	1979	1985
5	61	85	125
20	81	115	171
50	122	175	270
150	185	270	432
500	270	400	668
1,000	383	575	1,000

Management Salary Increase Guidelines

(In percent)	1978	1979
Increase in average salary for position	8	7
Increase in average manager's salary	9	9
Average increase of those receiving increases	11	10
Salary increases for fast-track managers	18	16
Average increase in managers' payroll	6	5
Percent of managers receiving increases	80	80
Average interval between increases granted	14 months	13 months

same salary even though one individual's performance may be far superior to the other person's.

There are several types of compression, which is inevitable in an inflation-plagued economy. The most common is the difference in income between a manager and his subordinates.

Inadequate differentials between different job levels create the inequity. They also reduce the financial incentive for managers who perform well to assume additional responsibilities.

Because of the progressive income tax, after-tax salary differentials have eroded seriously, forcing companies to increase bonus and long-term income grants, especially in dealing with compression on higher job levels.

Higher bonus awards

Management salaries have been increasing by seven or eight percent a year, barely covering inflation over the past five years. However, bonus payments have increased substantially.

During the past several years, many companies have increased their bonus standards by at least 20 percent. Thus, for the same degree of managerial achievement, bonus awards have been substantially higher.

The greatest increase in management pay has been through long-term income plans. On the average, option grants under stock option plans have increased by about one third during the past three years. Thus, individuals in positions that before 1976 would have been granted 9,000 shares of stock under an option plan are now receiving 12,000 shares.

Furthermore, about one in ten companies has adopted long-term bonus plans instead of options. Income standards under these plans tend to be slightly higher than under option plans. Finally, one out of 20 firms has added some form of long-term bonus plan to options.

Originally, companies adopted multiple long-term income plans because they did not want long-term payments to managers to depend solely on stock price. Combined plans were designed so that options and the long-term income plan were nearly equal in value to option plans alone. In the past few years, however, companies have tended to leave the option plan intact and adopt a long-term bonus plan with as much or greater value than the option plan.

Managers' total compensation—including salary, bonus, and stock—has increased above the rate of inflation over the past few years and will probably continue to do so.

But criticism from those who look at only part of the total compensation picture will intensify in the next few years, and by 1985, the million-dollar executive will be common.

To order reprints of this article, see page 86.

Even the Government Overloads

STATES—and road systems within a state—vary considerably in maximum gross weights for trucks. So shippers and truckers need to plan their routes carefully and know just how much they can pack into their trucks.

In addition, there is the problem of deliberate overloading, which the Federal Highway Administration says is significant.

But private firms and independent truckers are not alone in sending, carrying, and receiving overweight loads. A report by the General Accounting Office on excessive truck weight criticizes federal agencies that ship and receive cargoes in trucks exceeding state weight limits.

The report lists the Tennessee Valley Authority, Forest Service, Department of Energy, General Services Administration, Army Corps of Engineers, and the Federal Highway Administration as culprits.

For example, the report says that 80 percent of 112 rock deliveries to a corps of engineers' project in Arkansas exceeded state limits. In Texas, 28 trucks delivering crushed stone to a federally aided highway construction project weighed an average of 30,000 pounds over the 80,000-pound state limit. The lightest truck weighed 99,520 pounds.

The penalty for carrying overweight loads varies by state, but can include fines and the unloading of freight to bring the truck down to the limit. Catching overweight vehicles, however, is a haphazard process involving undermanned weighing stations, and sometimes the reward of greater cost-efficiency is worth the risk. □



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Jack James Directs Dresser's Destiny, Texas-Style

By Grover Heiman

THERE WAS nothing in his youth that indicated John V. James would someday head one of the nation's largest multinational corporations.

On just about any rating system devised he would come out as an average youngster growing up in the twenties and thirties—sandlot sports, high school debating team, summer work at the A&P. He landed his first full-time job in the office of a biscuit bakery in Wilkes-Barre, Pa. About the only noteworthy thing there was that he met Helen Brislin, whom he later married.

But the Corning Glass Works spotted his talent for hard work upon his graduation from the University of Pennsylvania's Wharton School in 1948 with a certificate in management and election to Beta Gamma Sigma, the national honorary business society. Earlier, he had obtained a bachelor's degree in economics from the university.

Today Jack James is chairman, president, and chief executive officer of Dresser Industries, Inc., which he runs from a corner penthouse office in an unpretentious building in downtown Dallas.

Frill-free life

He and his wife occupy a modest ranch-style house, which they bought 20 years ago, in a middle-class suburb of Dallas. They have a comfortable, frill-free life among old neighbors and friends and have no plans to live like millionaires.

"We like it here. We're comfortable," says Mr. James, who infrequently putters around the yard in an unenthusiastic search for exercise. Mrs. James still keeps house and "if I'm lucky" gets a cleaning lady half a day a week. As she has every morning for 40 years, Mrs. James prepares her husband's breakfast of juice, cereal, and coffee and walks to the door to see him off.

Mr. James drives to work in one of his few luxuries—a Mercedes-Benz that has a few years on it. He arrives at the office around 8:30 a.m. and leaves about 6:30 p.m. His other little luxury is arriving for work about an hour later on Saturday.

Naturalized Texan

An energetic, gregarious man who loves to kid, Texas-style, Jack James is a naturalized Texan, even to the point of being an avid Dallas Cowboy fan. He laughs easily, likes a tall tale, and, in the tradition of Lyndon Johnson, frequently grabs a person's elbow to get his undivided attention.

Although a conservative and registered Republican, Mr. James feels right at home with Texans. "I could be a Texas Democrat without any problem," he confides. "Most Texans, at least the ones who work for Dresser, are from small towns, and so am I."

He was born in 1918 in Plains Township, Pa., which lies on the northern outskirts of Wilkes-Barre. Both his mother and father were from Welsh coal-mining families. Orphaned when he was 12 years old, he and a brother were raised in Plains by two uncles who operated anthracite coal mines.

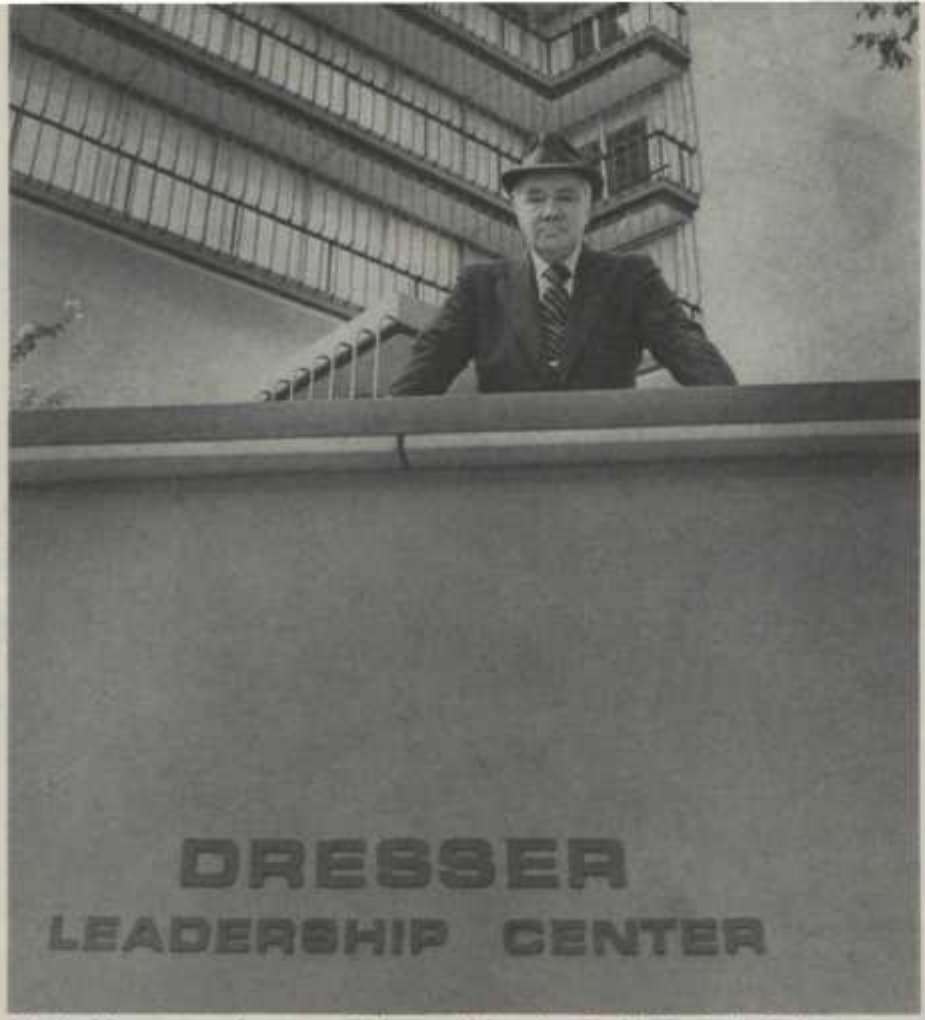
"I was fortunate to have been raised in a small town where you knew everybody and a lot of people were interested in you. I also had the advantage of being raised in a town where there were many ethnic groups.

"I went to school with Italians, Irish, Polish, Russians, people of all types. Plains was a melting pot, and I got to know these people as individuals. That has been valuable to me in later life," he says.

Mr. James was office manager and controller of that Wilkes-Barre bakery when he was drafted in 1942, sent to Fort Lewis, Wash., for basic training, and then slated for service in the Pacific theater. He was selected for officer training school, however, and shipped to England as a military intelligence officer to serve on Gen. Eisenhower's staff at Supreme Headquarters, Allied Expeditionary Forces—SHAEF. Capt. James came back to the United States in 1946 and returned to the University of Pennsylvania.

Science into dollars

A number of tempting offers came his way after graduation, but the decision was easy once he visited the Corning Glass Works in Corning, N. Y. He joined the controller's staff and became a right-hand man to W. C. Taylor, a world-renowned chemist who, among other things, invented Pyrex glass. Dr. Taylor's staff was then devel-



Selected Dresser employees go to the prestigious Leadership Center in Dallas where they receive college credits for specific courses. Annually, about 4,000 attend training classes here and at Dresser installations around the world.

oping techniques for the mass production of television picture tubes and optical glass.

In a few short years Mr. James was exposed to all aspects of research, development, and manufacturing. While working for Dr. Taylor, he concocted measurement techniques that translated scientific efforts into dollars and could be used by the scientists to evaluate their work.

Mr. James spent nearly a decade at Corning, soaking up experience in such diverse fields as machinery manufacturing, plant construction, and production. "You've got the best job in industry," a noted scientist once said.

Spotted by headhunters

By 1957 the headhunters had spotted him and suggested he talk to Dresser Industries officials. "I knew nothing about Dresser," he recalls. "I didn't know what the company did, but Dr. Taylor had retired, so I flew to Dallas."

Dresser offered him the job of assistant corporate controller, but initially sent him back north to be controller of the firm's largest subsidiary, Clark Bros., Inc., in Olean, N. Y. What was to have been a few months lasted nearly three years because he was soon promoted to vice president for finance for Clark.

Named Dresser corporate controller in 1960, he was made a vice president and a member of the board of directors in 1964. During that time, he helped establish uniform measurement and control procedures to cover domestic and foreign operations and both short and long-range planning systems.

The objective was to force planning down to the lowest supervisory level and make every manager accountable for specific targets. By the fourth business day of every month, the Dallas headquarters knows the net return for 300 different profit centers in 100 countries. If any drop below a 25 percent return on investment, there is instant scrutiny.

Early in 1965, Mr. James focused on several of these areas and wrote a report to the company president. "We had a couple of lousy operations," Mr. James recalls. "The president said in so many words: 'James, you've got a big mouth, why don't you try and fix them up?' So I got a couple of real losers, but in six months I had both of them profitable, and the next thing I knew I was running the machinery group and about half of Dresser."

Industrial giant

This marked the end of controllership for Mr. James. He was named vice president in charge of the machinery group in February, 1965, and elevated to executive vice president for administration and planning in 1968. Then in mid-1970, Mr. James was elected president and chief executive officer by the board of directors. In 1976, he became chairman of the board, continuing as president and CEO.

His firm, whose sales are running at more than $3.5 billion a year, is a diversified multinational giant that provides a broad range of high technology products and services to energy and natural resources industries worldwide. Dresser offers about 1,500 products and services, has more than 150 plants here and abroad, and employs about 56,000 people.

Products range from oil drilling rigs, rockbits, and drilling mud to compressors, pumps, mechanical power systems, and environmental control systems. The firm also makes refractory products, continuous coal mining equipment, walking draglines, power shovels, valves, instruments, tools, and provides related services.

In addition to his heavy schedule as head of Dresser, Mr. James is chairman of the board for the Center for International Business in Dallas, a director of the Chamber of Commerce of the United States, a member of the Business Council, on the board of overseers of the Wharton School, and a trustee of Southern Methodist University. But he made time to talk at length with a NATION'S BUSINESS editor.

A book on the German general staff has been pretty popular around Dresser. Is the company patterned on the German general staff concept?

No, what we've tried to do is utilize good organizational theory. The greatest body of knowledge on this subject stems from the military. The Germans were among the pioneers. We've examined military organization concepts very carefully and have organized the company into manageable units.

For example, the logistics involved in transporting drilling fluids thousands of miles can be enormously complicated. But we learn from the military people who have had that sort

of logistical problem. I think the finest examples of organization are found in the military.

All large organizations can really learn, as we have, from studying how military forces are organized.

What one accomplishment stands out in your mind as the most satisfying?

The development of subordinates. To motivate and help them and watch their growth have been very satisfying. To see young men whom I've known maybe ten or 15 years move up in the organization and assume positions where they are running major segments of this business is very rewarding.

I can't tell you the satisfaction I get when I listen to some guy put on a presentation, and I remember him when he got started and didn't know a darn thing and now he's running a sizable operation. I've been rather closely associated with a whole group of people who are now running major Dresser operations.

What does ROI mean to Dresser?

Return on investment and individuals. In the final analysis, the biggest investment we have is people. We can have the finest machinery and plants, but if we don't have people who are properly motivated, it's all for naught. So the fixed investment, the capital investment, is important, but the most important resource is our people. If we can motivate them, train them, and upgrade their skills, then I feel that we're assured of success.

What was the toughest decision you've had to make?

Whether to leave Corning and come to Dresser. Corning was a fine company. Dresser had a fine reputation, too, but was unknown to me at the time. I had no reason at all to leave Corning other than that I thought Dresser offered more opportunity. I made the right decision.

Any bad decisions?

Yes, I've made some bad decisions. From time to time I have selected for positions of responsibility people who didn't work out. This is a very humiliating experience for everyone involved.

But you have to face up to the fact that if a man isn't doing the job, you have to ask him to leave or fire him. In my mind that's not any easy decision to make, but it is one requirement in any well-run business.



Discussing a compressor system for a Brazilian urea plant in the boardroom with Mr. James are James R. Bown, executive vp-operations, and John J. Murphy, senior vp-operations. On the wall are portraits of Mr. James and four previous chairmen.

How accessible are you to your subordinates?

Very accessible. We have an open door policy. Anybody can come in. Basically our policy across the company is open door.

We'll listen to anybody.

And we're quite proud of our internal communications. We have excellent reporting systems that we've developed and refined over the years. We say you can get a critical decision from Dresser headquarters within 24 hours from anyplace in the world.

You give twenty-four hour service?

That's right. If something critical comes up, there will be someone available in this headquarters who will make that decision within 24 hours.

We say to our people around the world: "Don't stew if you're looking for the solution to a problem. Don't sit there with it. Get it into the channel, and we'll get you a response. Right or wrong, we'll get it back to you."

Do you think a CEO should isolate himself to maintain authority?

I don't believe that setting yourself apart or trying to cloak yourself with some mysterious mantle is good management. I don't believe in management by fear.

You are very safety minded, aren't you?

My grandfather was killed in a mine accident, and the two uncles who raised me never forgot it. Where I grew up, wives never knew when their husbands left for work in the morning whether they would come home that night.

People would say: "Go to work for the James brothers. They are safety nuts." If something happened to one of their employees, my uncles took it pretty hard. I have great concern for the safety and health of the people who work for Dresser. This comes from growing up in that environment.

Those uncles obviously influenced your life.

My Uncle David had an axiom I have never forgotten. He would tap his forehead with his finger and say: "Don't kid yourself. Be realistic. To thine own self be true."

Every time I see my ego getting ahead of my brain, I say to myself: "Come on, Jack, be realistic." I say that to my executives now when I think they are going overboard on a project: "Come on, be realistic."

What is your business philosophy?

A basic element is to reduce the company's exposure to economic cycles and market fluctuations through a balanced diversification of products and markets related to the energy and natural resource industries.

As a general policy, the company has a conservative approach in its international operations to reduce risk and minimize volatility. The company's geographical diversity minimizes



Dresser Industries operations and plants are worldwide and Jack James often finds himself in remote areas, where he inevitably is treated to a Texas-style barbecue. Here he and his wife, Helen, admire gifts from friends in Indonesia.

the importance of any single foreign area and balances the effect of currency fluctuations.

Did Dresser have a well-defined, long-range planning system when you arrived?

There was a fairly sophisticated financial planning system when I came here from Corning where I had been manager of budgets and procedures. I studied how the Dresser planning process could be improved. We split it into three parts. For the short range, we have an updating procedure every three months, so we are constantly taking a look at 12 months out. We wanted to concentrate on the more immediate short-term goals of the business.

We separated technical product planning and development. Some product development cycles may take four or five years. Others may be within the framework of 12 to 18 months, but we wanted a balance between short and long-term product need.

The motivation here was to get appropriate recognition for technical people, which they deserved and which frequently was lost sight of in the company

What about your long-range planning?

We have a separate planning sequence of five to ten years. For awhile I think some of my associates used to feel that they were spending all their time planning. They were wondering if it was going to pay off or be worthwhile. But after a year or two, people saw how easy it was to update their thinking. So the five-to-ten-year cycle is an established norm now within the company. Those are our three planning sequences. In all three, we moved planning down to the lowest supervisory level.

I'm told you often quote Ben Franklin during your planning sessions.

Yes. "Gentlemen, if we don't hang together, we most assuredly will hang separately."

Can you compare your foreign and domestic operations with your control system?

Yes, we can and do. And the system accommodates all the currency fluctuations. If, for example, the franc goes down or the pound goes down, that doesn't penalize those foreign operations for measurement purposes. This is because we make the borrowing decisions here in Dallas.

Some years ago there reportedly was a problem with office politics. What was the Dresser solution?

Well, I've always said that if you want to make some complaint about a man, let's bring him in and you tell him right to his face what you're prepared to tell me. If you're not prepared to tell him to his face then you certainly shouldn't come to me. That more than anything else cut down on a lot of the office politics and griping.

We emphasize that we don't want political cliques; you're expected to get along with everybody else. Also, friendship cannot be the determining factor in advancement. What we want are people who are highly professional performers.

I like to think that we have a minimum of politics in this organization. Whenever I'm aware of it, I take steps to control it.

Would you classify Dresser Industries as a conglomerate?

No. What we have done very carefully over the years is to define those markets where we thought we could achieve a significant position and which would be worthwhile investments for the shareholders.

Our thrust is in energy and natural resources, and most of our efforts involve taking a natural resource and converting it into a product for energy application, such as barite for drilling mud, or providing services or products with energy applications.

What opportunities and problems do you see for Dresser over the next five to ten years?

Our future is tied closely to activities within energy industries throughout the world. Our assessment of future energy demand, combined with the increased efforts that will be required to meet the world's needs, makes us quite optimistic. A few years ago, we established an average annual earnings growth objective of ten to 15 percent, which probably equates to a real growth of 1½ to 2½ times that of the gross national product. I believe this objective is still viable and attainable, even from our large base.

I don't expect the problems of the future to be significantly different from those of the past—inflation, too much government, and continued international uncertainty

Does Dresser plan to change its product or market mix?

We are of a size where significant changes in our product or market base would be difficult. We will continue to broaden and strengthen our current areas of expertise in the energy and natural resource industries.

What factors do you weigh in considering the acquisition of a firm?

It should have an interest to us in the energy field or in natural resources, areas where we can concentrate our resources and skills. We have

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to know the market and believe there is an opportunity there. We want to learn about the people who are in key management spots. Are they likely to stay with us or do we have an entrepreneur who wants to retire and go fishing?

In addition to the normal financial information, we need to know whether we'll have continuity in management and whether there is any depth in the structure. The worst thing you can do is to buy a bunch of buildings and equipment and end up in six months not having anybody who can run it or who knows anything about the business.

What slice of a market do you want?

We want to be among the top three competitors. If not, that market will have a low priority at Dresser because we want to be in a position to have influence in pricing.

About half of Dresser's growth since you've been president has come through acquisitions. Are you moving these plants to the Sunbelt?

No. We feel responsible to the older employees and to the areas where the acquisitions are located. We put money into upgrading a plant facility, although we might have saved money in the long term by moving the facility to a low-cost area such as the Sunbelt. We have closed down very few plants. We've spent a lot of money and effort trying to make sure we're competitive.

Ohio is a good example. There are certain operations we could move, but it would have a devastating effect on the people and the communities. So, we're going to invest in upgrading those facilities and try to keep them as competitive as possible.

Now, I must say expansion is an entirely different matter. Then we have to ask: "Well, what area would be best for us in the long run?" It is true that we've had more expansion down here in this area called the Sunbelt.

You work six days a week and you take work home on the seventh. Do you expect your people to do the same thing?

No. Everybody has to organize his own work-style. We shouldn't try to monitor their social activities or their work habits. I don't believe in that. Each man has to find his own method of operation. To each his own.

A competitor says that you are very aggressive and competitive. He hopes you will devote even more time to the U.S. Chamber of Commerce and other outside activities. Will you?

Probably not. I give Dresser at least 48 hours a week and most weeks more than that. In total, I don't think I give outside activities more than two or three percent of my time and effort.

Do you take vacations?

I don't like a long vacation. Frankly, sitting around doing nothing or just making idle conversation is boring. A reasonable amount of this is fine, but after about two or three days of doing nothing, I'm terribly bored, and so I try to keep active. I have a variety of interests in the business and a reasonable number of social contacts, but I guess it would be fair to say that I devote most of my time and energy to the business.

Do you get bored at cocktail parties?

Yes.

What is your favorite form of recreation?

I read a lot—history and economics. Reading has always relaxed me. I find that history gives me a sense of perspective in dealing with various types of people and situations.

In the evenings I watch television with my wife.

Any preference?

Not really. I watch what she watches. Of course, she says I select the programs. I'm not an avid viewer. Usually I bring work home with me—the type of material that you need to look at away from the office.

How do you cope with the stress of your job?

Well, I try to get a reasonable amount of sleep, and I think this is very helpful. Even if I'm on the road, I try to get eight hours of sleep.

The other thing is, I've developed the ability to say: "I've considered this problem right up to this point, and now I'm going to put it in the back of my mind and switch to something else." I can turn things off and just say: "Fine, I've done all that I can do on this."

You shouldn't try to solve a problem or worry about it when you're not in good physical shape or you're too tired. That will produce very poor decisions. So I condition myself in that fashion.

An associate says that much of your success can be attributed to your wife's understanding.



Jack James is a fighter when his company, the interests of his employees, or their communities are threatened.

That's true. As far as I'm concerned, if you don't have a home atmosphere that's conducive to your life-style and your work-style, then you have big problems. I've been very fortunate to have a wife who has been understanding and accommodating, and probably I've asked too much of her.

Helen has been a great helpmate. She is a very good influence because she's down to earth. She meets people well, at all levels and from all walks of life. She's been a great balance to my life. If I think something in business is extremely important, she's not afraid to tell me it isn't or that maybe I'm exaggerating.

Have you given any thought to retirement?

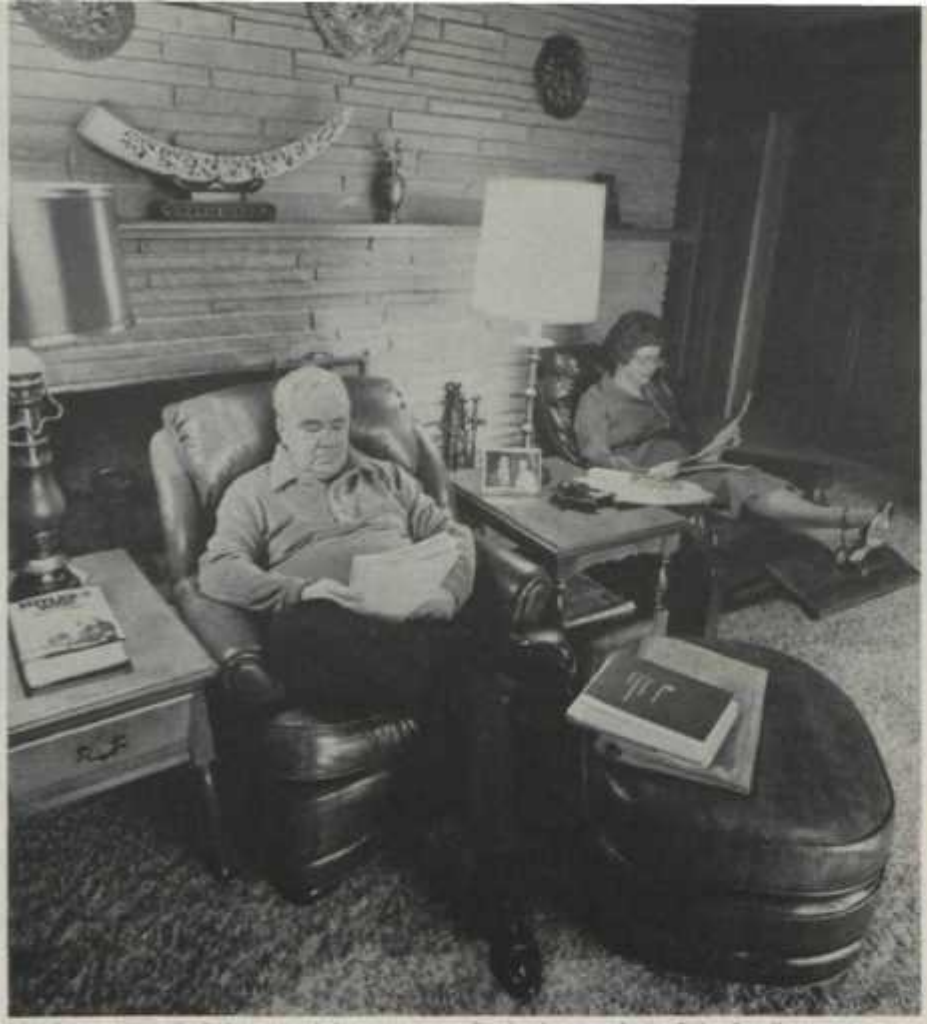
Frankly, I don't intend to sit around the house and do nothing. I would hope to do a reasonable amount of traveling and then find something worthwhile, such as helping charities or something like that, rather than just working for financial reward. I hope to keep active if my health allows.

Have you ever thought about entering politics?

No. My family has a background in politics, but I haven't felt this would be a very rewarding experience.

You are much more outspoken on issues than most top executives. Why?

I have a responsibility to the shareholders because they have invested in the company, but I also have an obliga-



Mr. James usually brings work home to ponder in the comfort of the family room. On the table is a photo of their only child, daughter Barbara, who is married to Dr. David Hickey, a Dallas specialist in nuclear medicine and radiology.

tion to our employees to speak out on public issues that affect them and their jobs.

It distresses me when politicians talk in broad generalities about economic issues without any understanding of their impact on individual companies and communities.

It may get them a little publicity, but when we see something like that we want everybody to know that if they step on Dresser's turf they had better be prepared. We'll speak out. We'll go right for them, whoever they are. We are quite willing to take them on when it affects our people, their jobs, and our interests. At the same time, we're good citizens and we try to operate within the rules around the world.

Why has Dresser launched such an aggressive corporate advertising program in the past few years?

One of the problems we have is getting people to understand the economic effects of regulations issued from Washington. This concerns us because it affects our business and our employees. We think that there has been a great deal of legislation that's been put into the mill without a lot of careful consideration. For example, we called attention to the current energy problem back in 1977. To me, as an individual, it's appalling that we've had such a morass of misguided effort in Washington regarding energy. There's a lot of energy still to be found in this country and developed, but I must say the government has done nothing to encourage it.

Your company marks its centennial next year. Do you plan any special events?

Yes, something appropriate for each community. Probably some sort of an open house at our larger plants.

Do Americans understand the problems of productivity?

I think Americans frequently lose sight of the fact that many foreign countries have recognized the need to improve productivity. They have all sorts of tax schemes and other incentives to modernize their plants and make them more efficient. A great many government officials and unions in foreign countries have a much greater awareness of productivity.

Do Americans understand the need for capital investment?

I think there's a greater awareness now on the part of the public. Some people have done a great service to this country by publicly emphasizing the need for capital investment—Reg Jones of General Electric, for example.

It's quite apparent, however, that too many politicians haven't yet realized the necessity of capital. Fortunately, Dresser has been able to make money and to invest it in our plants to keep them up to date and competitive. But the whole problem of shrinking capital investment will affect the long-term well-being of this country.

Are you optimistic about the future of the free enterprise system in the United States?

Of course, but it's an endangered species. We have a proliferation of regulations from Washington without any serious study of the economic consequences. Unless this is corrected, America's position as a world leader in technology and productivity is going to erode.

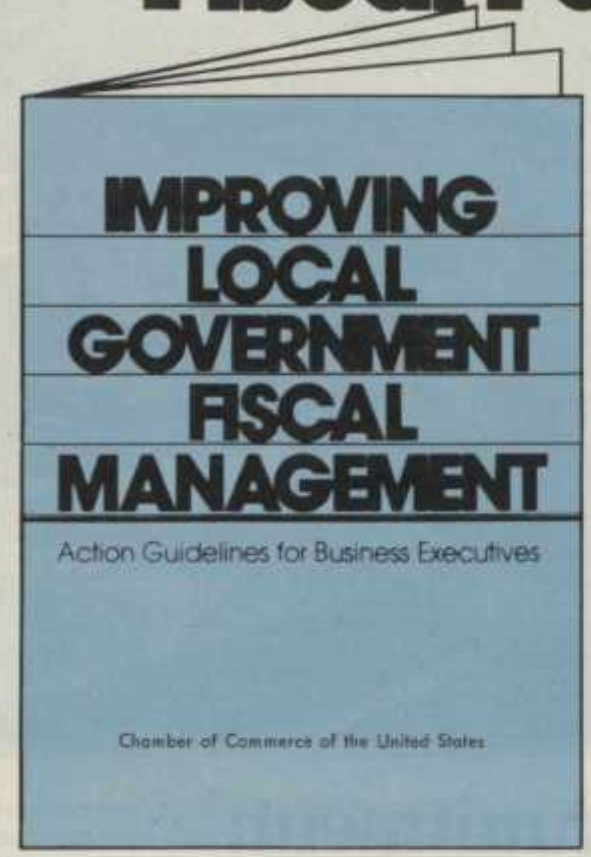
People on the Washington scene say such things as "well, we have the technology." Usually it's some nincompoop who can't even spell the word technology and isn't really aware of what is going on in other areas of the world.

I take every opportunity to talk about this problem, and I realize that it is pretty heavy stuff, so I always like to close my remarks with this poem:

A man knocked at the heavenly gate,
His face was scarred and old.
He stood before the man of fate
And asked admission to the fold.
"What have you done," Saint Peter asked,
"To gain admission here?"
"I've been battling government bureaucracies,"
He said, "for many and many a year."
The Pearly Gate swung open wide,
And Saint Peter touched the bell.
"Come in and choose your harp," he said.
"You've had your share of hell." □

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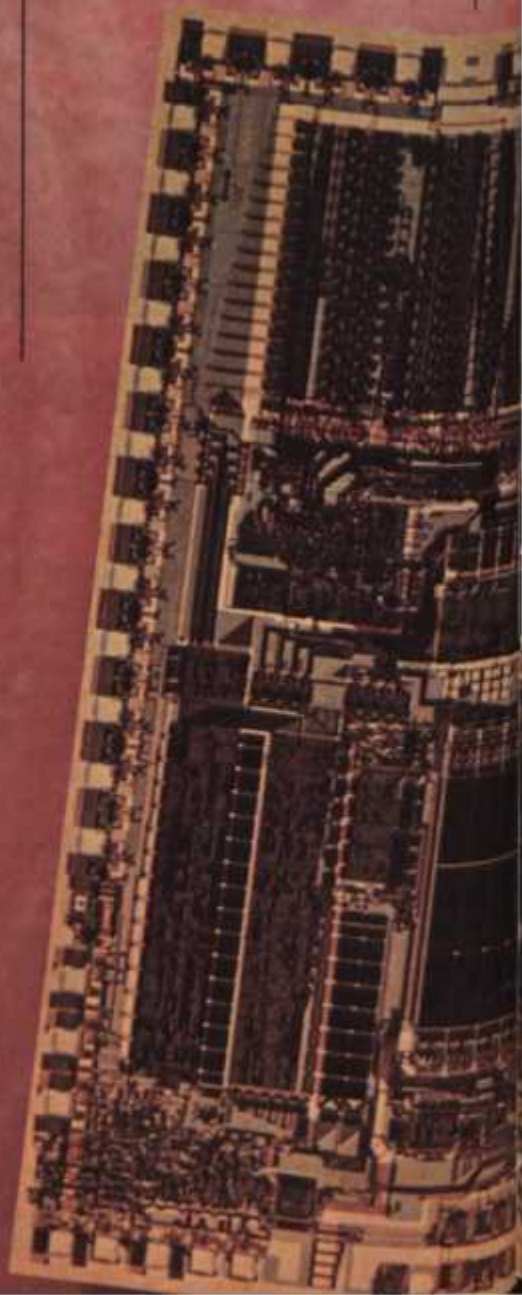
It can give a telephone switchboard the discretion to direct many thousands of phone calls simultaneously, each by the cheapest route.

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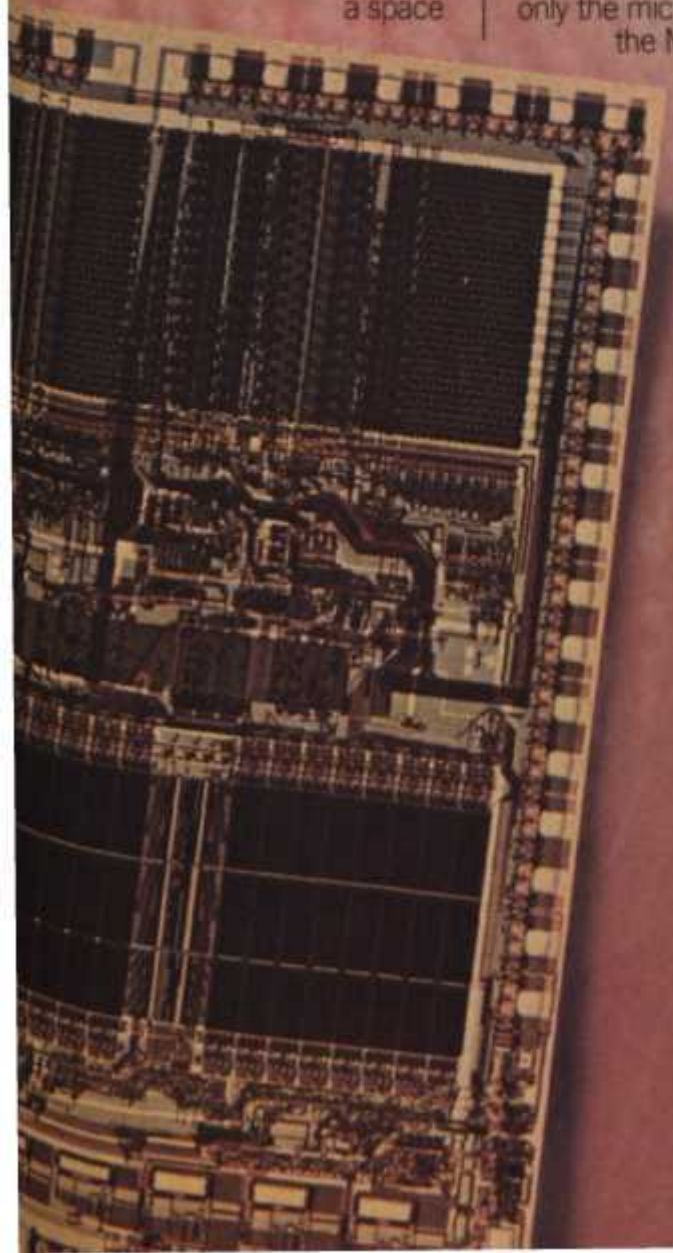
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Tennis lessons for Xerox employees are a popular part of the company's recreation program. A firm's employees often go on to form one or more teams that compete with those of other companies.



Jogging before work, during the lunch hour, or after work is one of the most popular forms of exercise among employee groups today.



Clowning, a relatively new recreational activity, can be psychologically rewarding. Employees often practice this art at hospitals, orphanages, homes for the aged, and at company parties and picnics.

All Work and Enough Play Keep Employees Fit

"The world's in better shape when you are" is one company's motto

By Mary L. Tuthill

Absenteeism was a real problem for the Peoples Jewelry Co. in 1976 when the firm started an employee recreation program.

The program provided discount tickets for amusement parks, hotels, resorts, and cultural events. Chess tournaments and informal softball and touch football games were arranged.

After two years, the firm's personnel department ran a check on absenteeism. "It really boggled my mind when we got the results," recalls Jacqueline Erwin, former personnel director. "I went back and rechecked the figures. There was no mistake—absenteeism had decreased by 23 percent."

The firm, located in Toledo, Ohio, credits the recreation program for the improvement in attendance.

A century old

While such dramatic results are not the norm, the benefits of company recreation programs have been recognized for a century.

In 1879, George Pullman, the paternalistic founder of the Pullman Co., built his own town close by his Chicago factory. Among the amenities was a company athletic association. Employees and their families could boat, skate, bicycle, or play baseball or cricket, the latter provided for several hundred English immigrants who were on the payroll.

Not all recreational programs started on such a scale. In 1886, Johnson Wax had its first company picnic. From that evolved a sports program for men and women in baseball and basketball, and later in golf and softball.

In 1894, John H. Patterson, president of National Cash Register Co. in Dayton, Ohio, now NCR Corp., introduced morning and afternoon exercise breaks for his workers. Later, he installed a gymnasium and opened a park for employees.

Over the years recreation programs have taken various forms, depending on the locale and management. Some firms established libraries and musical groups; others began building programs that today are awesome in size.

The Kodak complex

In 1910, employees of Eastman Kodak Co. in Rochester, N. Y., started the Kodak Park Athletic Association, which has since expanded to include cultural and educational programs. Today, under a new name, the Kodak Park Activities Association has one of the most comprehensive company recreational facilities in the nation.

The 300,000-square-foot recreational area includes a putting green, tennis courts, softball diamonds, a gymnasium, physical fitness rooms, bowling lanes, squash courts, rifle and pistol ranges, an auditorium, and meeting rooms.

The Goodyear Tire & Rubber Co. also began early to consider the leisure needs of its employees and their families. The company set up its first Boy Scout troop in 1914. Now Goodyear sponsors 41 clubs that offer a wide range of activities from chess to hunting, fishing, and gourmet dining.



Employees of the Goodyear Tire and Rubber Co. pool their musical talents in the company's concert band.

"Management has an obligation to see that employees achieve a sense of personal satisfaction from what they do," says Charles J. Pilliod, Jr., Goodyear's board chairman. "We consider the money well spent because the program lets our employees know we care about them over and beyond what they produce on the job."

It wasn't until the late 1930s that such programs began to gain wider popularity. By 1941, there were enough people running employee recreation programs that they formed



A well-equipped exercise room usually turns out to be one of the most popular facilities a company recreation program can offer. With compact modern equipment, a lot can be done with a minimum amount of space.



When the Allen-Bradley Co. of Milwaukee, Wis., puts on its musical programs, all the musicians and singers are full-time employees of the company. Many smaller firms rely heavily on the talents of friends and relatives for such shows.



A popular type of company recreation is formation or sponsorship of sports teams. In this charity event, a team from Allstate Insurance Co. of Northbrook, Ill., battled a team from radio station WGN of the Continental Broadcasting Co.

the National Industrial Recreation Association, which today has 2,200 members in the United States, Canada, and Mexico.

Because programs now include many other benefits and activities, program directors think the term recreation no longer fits. Many association members say that employee services is a more accurate description of the benefits offered and is a more acceptable term to management than one connoting all fun and games.

A relaxing break

Perhaps the most important factor in the recent rapid growth of employee programs is the recognition of the need for physical fitness. Even before the United States became the unofficial jogging capital of the world, Sweden, Canada, West Germany, and the Soviet Union had produced studies that related recreation and fitness programs to the workplace.

The studies showed that workers who took part in regular exercise were in better general health, were absent less, and produced more. But a company doesn't have to install a swimming pool or build an 18-hole course for such benefits. Some of the studies revealed nothing more than regular running routines or short periods of rhythmic exercises for employees. The main factor is some sort of physical activity to provide a relaxing break in the work routine.

Starting small

Some recreation programs have been started by groups of employees who decide to jog together at lunchtime or use the company cafeteria for afternoon excercise periods. But others have a more traditional beginning with a company softball or volleyball team.

The greatest need for recreation was first perceived in companies where jobs tend to be routine and boring. As steelworker Donald T. Dalena said in a *Management Review* article: "The truth is most jobs can't be enriched, but the lives of the workers sure can be."

However, the benefits of recreation have also been found in companies where the jobs engender a great deal of stress.

Willard H. Duetting, director of the massive training center owned by the Xerox Corp. in Leesburg, Va., tells students: "We at Xerox believe you will work hard in this educational atmosphere. But we also want you to take

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Like many technological discoveries, voice stress analyzers grew out of military research during the Vietnam war. Army intelligence needed something better than the standard polygraph to interrogate prisoners. A simple method that could be used without the subject's knowledge. The voice stress analyzer was the result!

The principle is remarkably simple. Scientists already knew lying produced unconscious and uncontrollable stress that could be recorded by a polygraph. Researchers soon discovered that this stress also affected the muscles controlling the vocal cords, and caused an inaudible "microtremor" in the voice. All that was needed was a device sensitive enough to pick up and record these inaudible vibrations. And that was a relatively easy accomplishment considering the state of modern electronic technology.

BUSINESSMEN BECOME MIND READERS

In addition to police and intelligence agencies, many of the "Fortune 500"corporations have quietly been using voice stress analyzers for several years. Large industrial and retail companies use it to control employee theft and screen job applicants. And dozens of large insurance companies have been using voice stress analyzers to uncover false claims. They simply tape an interview with anyone filing a suspicious claim, then play back the recording and monitor it with a voice stress analyzer.

In the past only the largest, most profitable companies felt they could justify spending $1500 to $5000 to purchase a voice stress analyzer. However, like everything else in the electronics field, these high prices reflect the heritage of a prototype, and not the quality of a reliable voice stress analyzer.

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time for physical fitness and recreation. Xerox employees are always on the go. Too busy with the demands of business, we often neglect our health and let our physical condition deteriorate."

He says the philosophy at the $3.5 million center is: "The world's in better shape when you are."

Facilities for the 350 employees and 300 students include a swimming pool, tennis courts, a gym, a putting green, handball, racquetball, and squash courts, and space for softball, soccer, and other sports.

Programs vary

Like most large corporations with branch offices, Xerox does not provide the same recreation programs throughout the company. The company's headquarters in Rochester, N. Y., has an active recreation program but limited facilities. A well-equipped gym was worked into a modest space in the building; however, for other sports and recreational activities the group uses public facilities.

In its Rochester complex, Xerox has separate facilities for executives and other employees. Not many other companies have separate facilities, but companies considering recreation programs frequently ask the national association whether management authority will be undermined if executives participate with employees in recreational programs.

Joint participation

Most executives involved with mixed recreation programs say that joint participation seems to build loyalty and understanding rather than undermine authority.

And, after several years of a dual program, there is much discussion at Xerox about merging.

"In many unionized industries, employees have become polarized because of contract restrictions that tend to prohibit intermingling," says Paul P. Davis, chairman of the board and chief executive officer of McLean Trucking Co., Winston-Salem, N. C.

"McLean's recreation program acts to prevent this. In fact, interaction is encouraged. A winning foursome in a recent golf tournament included a long-haul driver, a city driver, a supervisor, and a dock foreman," he says.

A company that created recreational facilities in the middle of downtown New York faced an almost impossible situation. About seven years ago, Malcolm Forbes, publisher of *Forbes* magazine, decided that a recreation program would benefit his staff if he could find a way to provide facilities at the magazine's Fifth Avenue location.

After considerable planning, a gym was squeezed into some office space within the building, and a racquetball court, a putting area, and picnic tables were installed on the building's roof. A professional was hired to run the program. Now plans are under way to add a swimming pool and jogging track to the rooftop facilities. Each of the company's employees is allowed an hour daily during work to use the facilities.

Modest beginnings

The recreation program at Integon Corp., an insurance company in Winston-Salem, N. C., is fairly typical of the newer programs that have grown rapidly from modest beginnings. In 1976, employees of the company voted to start a program on a trial basis with a company picnic and softball.

Integon, with about 600 employees, soon hired a professional to run the

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program, which now includes tennis, racquetball, bowling, Christmas parties for adults and children, pizza nights, arts and crafts classes, a discount buying service, and subsidized memberships at the local YMCA.

Volunteers within the company help to run the program, and employees pay to take part. The company contributes less than a quarter of the program's budget.

Plans for a new plant are in the works, and Integon employees expect some new recreational facilities to be included. Among the items being considered are a rooftop tennis court, an exercise room, and a company store.

Quite an investment

A pioneer in providing extensive recreational amenities in its plant is the Flick-Reedy Corp., Bensenville, Ill. Nearly two decades ago, the company built a new plant and included an indoor swimming pool, lounge, auditorium, and cafeteria.

On the plant grounds are tennis courts, a trap-shooting range, a target golf course, a shuffleboard court, a playground, and lagoons for fishing and boating. For a small company with about 300 employees, the complex was quite an investment.

Frank Flick, the corporation's president, says: "Despite its impressive advances, industrial recreation in America is still in its infancy. The full potential of employee recreation is recognized by very few companies, and in most firms the role of employee recreation is still underrated."

Good training ground

One aspect of recreational programs that is largely overlooked by management is the training potential, says Melvin C. Byers, a consultant for the recreation association.

"Running a good company recreation program is much like running a corporation," he says. "By getting involved in a recreation program, employees can learn management skills in the best possible way—while having fun.

"Talents for leadership, promotion, accounting, purchasing, and other business skills developed through the program can make employees more valuable to the company as well as happier and healthier."

Another benefit from recreation programs is an improved image in the community resulting from service activities. These often include community fund-raising, blood-donor drives, food baskets for the poor, or volunteer work with the handicapped.

"No longer do we consider recreation a fringe benefit," says McLean Trucking's Mr. Davis. "It is the catalyst that produces healthy, vigorous, dedicated employees who are an asset to the company and outstanding citizens in their communities."

Family activities

Most recreation programs include families in at least some of their activities. James H. Hoke, president of Practical Management Consultants of Southfield, Mich., says: "A perceptive recreation director will produce several couples activities yearly to avoid job jealousy and fantasies about unknown company people that can build resentments at home."

Recreation programs can also be helpful for employees nearing retirement. They can develop interests and hobbies to pursue in retirement, and some retired employees volunteer to help run the recreation programs.

Operating costs for recreation programs vary almost as widely as the programs themselves. While some programs have annual budgets of more than $750,000, others manage on less than $5,000. The average is about $11,000, according to a recent study.

Everyone benefits

Sources of funding for such programs usually include employee dues and special assessments for activities, employer contributions, and frequently the profits from vending machines. Some programs also receive profits from canteens, food service, and company stores. Incorporated employee associations that operate with such funding are usually approved by the Internal Revenue Service as nonprofit organizations.

There is no question that employees benefit from recreational facilities, but management finds them advantageous as well. They make recruiting easier and reduce turnover because happy employees are less likely to quit or be lured away, are absent less, and often are more productive. This makes for more profitable companies whose managers view their recreation programs as sound investments.

While company recreation programs are still being developed, the coming recession could slow their growth.

But the competition for top quality employees goes on, and as one company representative put it, "we needed another benefit." □



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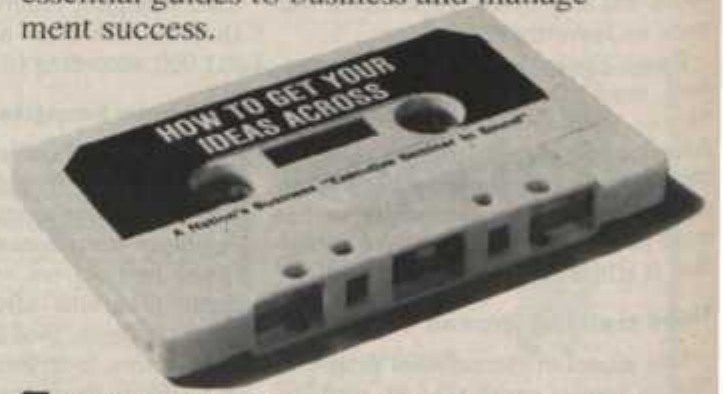
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CONSUMER SURVEY

Now Is Not the Time to Spend

AMERICAN CONSUMERS are hard pressed by inflation; 61 percent of 1,538 consumers interviewed nationwide say that now is a "rather bad time to spend money." Only 24 percent believe they are "in a good position to buy some of the things [they] would like to have."

These conclusions are based on the quarterly Consumer Opinion Survey conducted by the Gallup Organization in September for the Survey Center of the Chamber of Commerce of the United States.

A majority of consumers—53 percent—expects personal income to go up less than prices during the next year. Only nine percent expect their income to go up more than prices.

These proportions are not changed from those of the previous quarterly survey in June, despite the fact that some consumers now view their personal financial situations less pessimistically. In the latest survey, 41 percent expect to be better off a year from now, up from 33 percent in June.

The apparent contradiction in these figures is explained by two facts: An increasing number of consumers now believe that inflation will not become any worse, and many consumers have become accustomed and resigned to existing inflation.

As in previous surveys over the past year, few people—only eight percent in

Expected Changes in Consumer Incomes

Income will rise:	Dec. 1978	Mar. 1979	June 1979	Sept. 1979
Less than prices	52%	52%	57%	53%
Same as prices	33%	31%	29%	32%
More than prices	10%	9%	8%	9%
Don't know	5%	8%	6%	6%

Consumers' Personal Financial Position

	Compared with one year ago			Estimate for one year ahead		
	Better	Same	Worse	Better	Same	Worse
Dec., 1978	40%	26%	32%	47%	26%	22%
March, 1979	35%	31%	31%	39%	28%	22%
June, 1979	30%	27%	41%	33%	27%	30%
Sept., 1979	36%	27%	35%	41%	27%	24%

Expected Inflation Growth

	Dec. 1978	Mar. 1979	June 1979	Sept. 1979
Higher	42%	54%	53%	50%
Same	42%	34%	33%	36%
Lower	12%	6%	8%	8%
Don't know	4%	6%	6%	5%

Financial Position to Buy

	Dec. 1978	Mar. 1979	June 1979	Sept. 1979
Good position	26%	25%	24%	24%
Middle position	13%	16%	16%	12%
Bad time to spend	59%	55%	56%	61%
Don't know	2%	4%	4%	3%

September—expect that the government will do a good job in implementing economic policy during the next year or two.

Still at the top

Inflation continues to be the number one problem in the nation, according to a recent Gallup Poll, and it is greatly resented by American consumers. Many people are eager for the federal government to reduce its spending.

When survey respondents were asked their opinion of legislation "that would require a proposal for any new federal regulation to be accompanied by estimates of its added costs, its benefits, and its effect on inflation," a solid majority—58 percent—was in favor, while only 25 percent were opposed. The rest had no opinion.

By an even larger majority—77 percent—consumers favor legislation "that would require the government to buy from private companies whenever they can provide goods and services at lower costs than if the government produced them." Only 11 percent oppose this proposal.

On another subject, the public is almost evenly divided on whether "most people with jobs are paid wages and salaries that are worth more than the value of their output"—27 percent—or less than the value of their output—30 percent. Another 35 percent believe that wages and salaries are about equal in value to output.

A 55-percent majority believes that "a person's pay ought to be about equal to the value of that person's output." Forty percent think other considerations should help determine pay.

Opted for pay cut

Employed respondents—60 percent of the total sample—had opinions about worker pay similar to nonemployed respondents.

More than three out of five consumers—61 percent—think the wages, salaries, and fringe benefits for government employees are higher than those paid by most private companies. Eleven percent say government pay is lower, while 16 percent think there is little difference.

Those respondents with jobs were asked: "Suppose you were faced with the choice of losing the job you now have or taking a pay cut of ten percent—which would you do?" By a two-to-one margin, workers opted for the pay cut:

Take pay cut	61%
Give up job	30%
Don't know	9%

The September survey included several questions on energy. Consumers by a 55-to-31 percent margin are in favor of President Carter's proposal for a government corporation to develop and produce synthetic fuels, with the money coming from a new excise tax on oil from wells.

Favor energy board

Continued public concern about energy is also reflected in approval of the President's proposal to establish a new government energy board with "the power to cut through requirements for procedures and hearings and government regulations that delay construction of new energy facilities."

Fifty-three percent favor this proposal, while 29 percent are opposed. Nearly one third of all respondents—32 percent—not only favor the new board but also think it should have "the power to set aside requirements of existing laws—for example, environmental laws—that delay construction."

Seventeen percent would no longer favor the new board if it had these expanded powers. □



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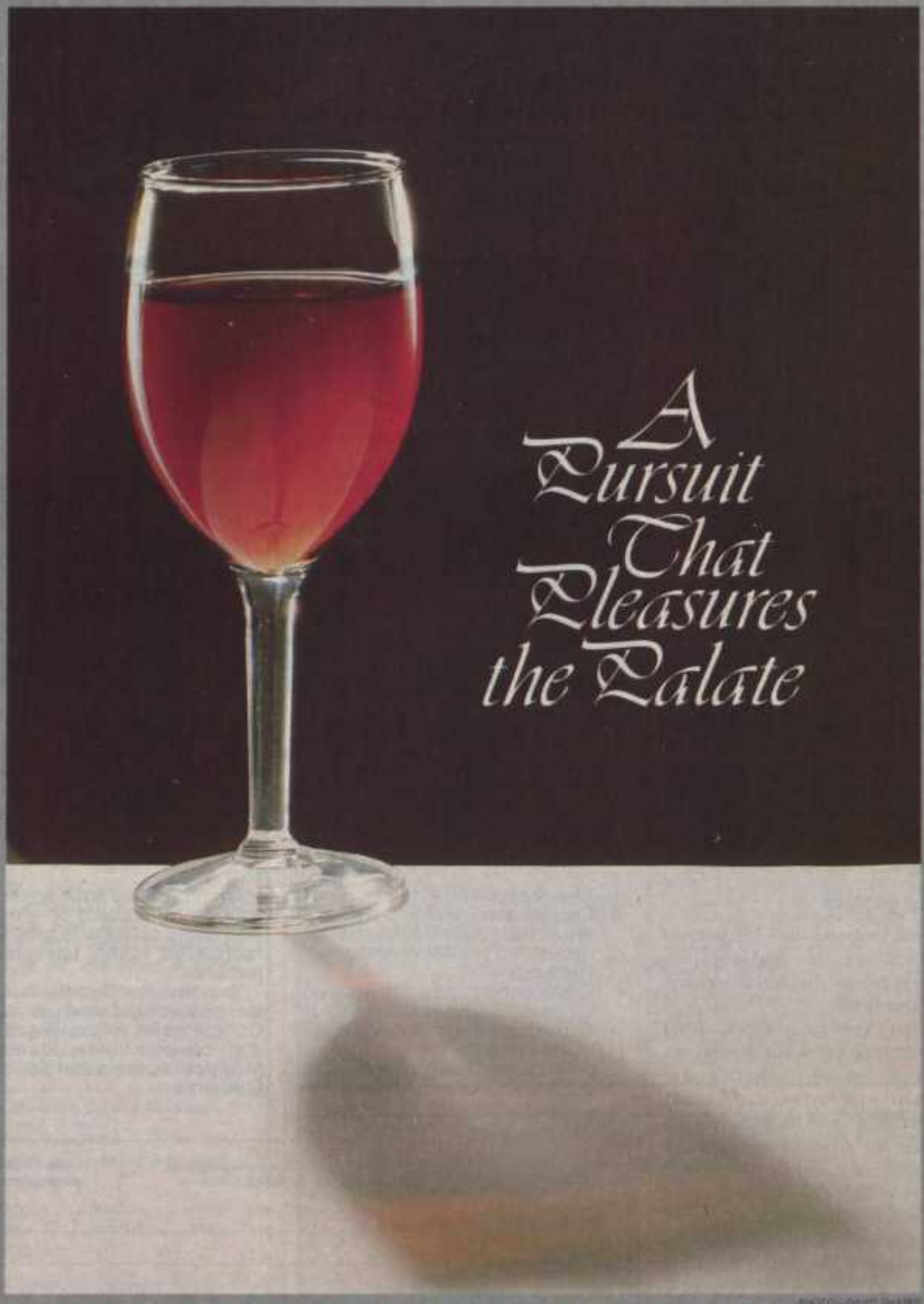
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Wine



A Pursuit That Pleasures the Palate

By John Costello



"COME ON DOWN," his host said, "and help me pick out the wine." It was a compliment that Robert F. Miller wasn't sure he welcomed. And certainly not one he deserved.

What could it be?

A Chateau Angludet, Grand Cru Exceptionnel?

A Pouilly Fuissé Latour, Appelation Pouilly Fuissé Controlée, Louis Latour, Négociant à Beaune (Côte d'Or)?

A Brolio Riserva, Chianti Classico, Casa Vinicola, Barone Ricasoli, all of Firenze, Italy?

"My host had a big cellar," the executive of Owens-Illinois, Inc., explains. I was at a total loss. I hadn't the faintest idea even how to read the labels. If you can't at least do that, it's pretty hard to tell what you're going to drink.

"It was very embarrassing. Then and there, I made up my mind that I was going to learn something about wines."

That was 25 years ago. Mr. Miller wouldn't be embarrassed today by an invitation to pick out a wine.

"I went out and got a book on how to read labels, what to look for, and so on," he says.

The book aroused his interest, and he started making one or two trips a year to the wine regions of Europe.

"Once you go and look at the vineyards, you never forget them. I mean, they're all so small.

"When you try some of the wine, look at the label. If there's something special about the wine, it's remarkable how the taste and the name will stick together."

While living in the East, he joined the Confrerie des Chevaliers du Tastevin, which encourages its members to enjoy the wines and cuisine of Burgundy. In 1968, he moved to Toledo and founded a commanderie—a group—there.

Recently, his fellow chevaliers gave him a plaque. "Our thanks," it reads, "for a decade of efforts successfully transplanting a bit of the best of Burgundian taste and traditions to these tasseled cornfields of Ohio."

"They kid me about that a lot," he says. "But learning about wine can bring a lot of pleasure to your life.

"In this modern age of fast foods, sitting down to a meal with a good bottle of wine titillates your senses. Take the time to think about the wine, open it, decant it, and try to recall if the taste evokes any memories of the last time you had it, and the food that went with it.

"It's a chance to slow down totally." And enjoy a good meal.

How much wine do Americans drink? Not much compared to some other nationalities, but quite a bit more than they used to.

Last year, 431 million gallons of wine went from the vineyard to U. S. retail stores. That's a big jump from 347 million gallons in 1973 and the 214 million gallons distributed in 1968. Most of the wine drunk is crushed, fermented, and bottled here. California wineries shipped 298 million gallons last year, the Wine Institute in San Francisco says. Other U. S. wineries accounted for about 42 million gallons. Imports made up the rest.

ON AVERAGE, each man, woman, and child in the United States drank 1.97 gallons last year, an increase of 41 percent from 1970.

Californians must love the stuff. Per capita, they put away more than four gallons a year.

But we're barely wetting our whistles compared to some Europeans. Every Frenchman and Italian downs about 30 gallons of vin or vino a year.

The Commerce Department estimates that American wineries last year shipped about $1.5 billion worth of brandy and wines. Imports—Italian, Franch, German, Spanish, Portuguese, and others—ran about $680 million. The wine industry employs about 56,000 Americans. More than half of the 721 bonded wineries and cellars in the nation are in California—406 of them. New York is next with 48; Ohio follows with 40; Oregon has 31; Pennsylvania, 26.

How about the harder stuff? American distilleries produced $2.5 billion worth of bourbon, rye, vodka, gin, and other spirits last year. But malt beverages led them all. Breweries here shipped $7.3 billion worth of ale and beer last year. Another $237 million worth came from abroad—the Netherlands, Canada, Germany, Mexico, and other countries.

In 1977, thirsty Americans tossed off an average of 22.4 gallons of beer per person.

Prosit!

Wine has always been highly touted.

"Wine that maketh glad the heart of man," the psalmist sang.

"Quickly, bring me a beaker of wine, so that I

may wet my mind and say something clever," Aristophanes added much later.

"Wine," said Pliny the Elder, "refreshes the stomach, sharpens the appetite, blunts care and sadness, and conduces to slumber."

But the wine buff's philosophy is best summed up by Anthelme Brillat-Savarin: "A meal without wine is like a day without sunshine."

Does it surprise you that Louisville, Ky., once had no wine society?

This civilized, bluegrass citadel of thoroughbred racing?

The home of Churchill Downs and the Derby?

The mother lode of mint juleps and bourbon?

Well, it surprised Judi Haas. So she started one.

"I love cooking," says Ms. Haas, president of the Concept Group, Inc., marketing communication specialists. "And I love the complement of wine with food, both for entertaining and total enjoyment.

"I also have always had a curiosity about how they go together. Not just fine food with wine, but any food with wine."

She moved to Louisville in 1975. In a few months, the Kentuckian chapter of Les Amis du Vin, which she organized, was off and running.

It has shown plenty of early foot.

The chapter, which describes itself as "a group of wine lovers devoted to the appreciation of fine wine and the art of leisurely dining," is one of 230 in the United States. It now has about 300 members. The national society has 25,000.

The chapters organize wine tastings, vineyard tours, dinner meetings, and outings.

Sound like a lot of lighthearted fun? Bopping around, sipping wines, nibbling hot and cold tapas, gouda, and Danish tybo, sauteed chicken, cold pate, hot cheese and spinach quiches?

Well, it's not just fun and games. At least, not in Louisville. There, it's more like a postgraduate course in enology.

"Our program is totally educational," says Judi Haas. "There is a personal satisfaction in putting a good program together. What's ideal is when the program is unique, the speaker exceptional, and the wines great."

But it's not all nose to the grindstone.

"One of our best wine tastings last year," she says, "was an all-American affair. We hired a 60-foot houseboat with crew and floated down the Ohio River, then motored back up to Louisville.

PHOTO: BRADLEY SMITH—PHOTO RESEARCHERS, INC.



A variety of climates, soils, and grapes enables wineries to produce a diversity of wines. These are California semillion.

"We had London broil and fettucini. Ron Fonte of Les Amis du Vin lectured on *The Wines of America*, and we tasted and discussed California and eastern wines from Missouri to the Finger Lakes.

"All were interesting. Some were excellent."

Excellent domestic wines? That might surprise those who think that good wines get here only on a ship. But it doesn't surprise Thomas R. Clarke of Clarke Associates, Inc., New Canaan, Conn., manufacturers representative.

"The best wine I ever tasted," he says, "was a 1968 Pinot Chardonnay. And I made it myself."

He grew the grapes in his eight-acre vineyard in Marlboro, N. Y., in the Hudson River Valley, traditionally a grape-growing region.

But was the stuff he made really better than anything bottled by a commercial European winery—a Pinot Noir from Burgundy, a Cabernet Sauvignon from Bordeaux, a Gewurztraminer from Alsace?

"You better believe it," he says.

When Mr. Clarke got into wine-making, he wasn't shooting for any old vin ordinaire to wash down a glutinous pasta.

"My objective," he says, "has always been to make some of the finest wines in the world. As an amateur, I'm more free to pursue this path than a professional who has to make money out of the business."

But why wine-making as a hobby instead of, for example, playing Parcheesi or hang-gliding?

"Well," he says, "I grew up in Riverdale, an Italian neighborhood in Dedham, Mass. And come fall, all the old men would go out and buy their grapes and make wine.

"This was a big occasion. Of course, they flew by the seat of their pants. For example, for every box of grapes they crushed, many would throw in a pound and a half of sugar, whether the grapes needed it or not.

"The sugar content in grapes varies from year to year, as does the acidity. But that was their rule of thumb: A pound and a half of sugar to a box of grapes.

"In wine-making, you should aim for consistency in taste from year to year."

It makes him laugh to think about it.

"I've tasted some of the wine they made," he says, "and believe me, they had some peaks and valleys.

"I went about it the scientific way."

That's why he grows his own grapes. "They're the most important element in turning out a great wine," he says, "not the guy who makes it."

Tom and his wife, Barbara, made

their first batch of wine in 1963 in Hinsdale, Ill., where they then lived.

How did it turn out? "Excellently," he says. "It surprised us."

His early environment made Tom Clarke a wine buff. Pamela Grosscup has her piano teacher to thank.

Music was her first love, but it was unrequited. "I really wanted to learn to play the piano," she says. "I studied for three years at the Cleveland Institute of Music. And I worked hard at it."

Not because she was a culture vulture or aspired to the concert stage. Her goal was more modest. "I just wanted to teach music to kids," she explains.

Then the dream was abruptly ended.

Was it a rotten chord she struck? A tutor's taut nerves finally stretched past the breaking point? Or reality asserting itself?

"Here I am playing," she says, "and suddenly my teacher says: 'Forget it.'

"When this piano thing didn't work out, I said to myself: 'This is crazy.'

"People were always telling me what a great cook I was and asking me to cater their parties. So I decided that if I went and studied with professionals, I would end up with maybe a pretty good business."

PAMELA's musical talents may have been flawed, but her business instincts were impeccable.

In 1976, she went to France, studied with some high-powered chefs, and introduced herself to the world of wine.

"I spent four to six weeks touring the wine districts and eating there. It was really researching, although it was a lot of fun. I wanted to know more about what wines went with what kind of food. I discovered there really is a correlation.

"In Alsace, the food is very spicy, and so are the grapes. Then as you make your way through the Burgundy and Bordeaux regions, you find a heavier, more flavorful kind of food—and more full-bodied wines."

She returned to Cleveland and started her own successful catering service: Pamela Grosscup.

Now she is building her own wine collection, wisely stashed away in the cellars of fellow members of the Cleveland chapter of the Chevaliers du Tastevin.

"That way," she says, "I get good storage, and I don't drink them up on impulse."

A woman is only a woman, an out-of-



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sorts male once complained, but a good cigar is a smoke. How about wine?

"I've really learned to enjoy wine," says Pamela Grosscup. But there's more to it than that. There's great camaraderie.

"I don't care whether you're in France, Italy, England, California, or New York, everywhere you go, you'll find people who will say: 'Now let me tell you about this wine I had.' "

LAST NOVEMBER, when the American Wine Society held its national amateur winemakers competition in Baltimore, Md., a Boeing Co. engineer took Best of Show.

"I won the biggie," he says with relish.

Who is the winner and new champion? He is not an Emilio Tetrazini, Jean Jacques Poulet, Gustav Neckersedar, or any second generation American whose grandfather's feet were stained blue from tromping grapes. Which demonstrates an important fact about America.

Here, neither cultural differences, genetic inheritance, nor ancestral nationality can prevent a person from achieving supremacy in any field he or she chooses.

The American Wine Society's new champion is James O. Burke. That's the kind of name likely to be associated with a pint of stout or a drop of Irish dew.

Nor did Mr. Burke win with a wine made from a classic European grape—a Pinot Noir, a Cabernet Sauvignon, a Reisling—or even a Catawba or a Concord. He won with a wine made of good old American strawberries.

Purists may recoil with horror, but Mr. Burke says he's tasted pretty good wine made of Jerusalem artichokes and roses. Anything with sugar in it that turns to alcohol during fermentation can be used to make wine.

"In fact, I've tasted wine made out of onions," he says, "and it wasn't bad. Apparently fermentation takes away the noxious characteristics of onions."

He started making wine in 1971, when Boeing Co. employees formed a club.

Why did he join?

"Because my wife and I always enjoyed having wine with meals.

"Primarily, I make wine out of grapes. We get good varietal grapes that are grown in the Yakima Valley, particularly white grapes. That's why I don't grow my own.

"The strawberry rose wine was just for fun. I was driving from my home in Seattle to the Boeing plant in Kent, Wash., where I work. I saw this sign to pick strawberries at a local farm.

"I had never made strawberry wine before, and I thought, I'll pick some fruit and give it a try."

This was Mr. Burke's first blue ribbon in a national competition. However, he has won a lot of awards in local and state contests.

His next goal is to make a fine, classic sparkling wine, like French champagne. "Yakima Valley grows great Pinot Noir grapes," he says.

It's one of the grapes used to make the famed French sparkling wine.

"I like champagne, but these days, who can afford it? If you develop a little skill, get good grapes, you can make your own for $1.50 a bottle."

Mr. Burke makes as many as 200 gallons of wine a year. That's the legal limit for home vintners under federal law.

"Wine," he says, "is a family hobby."

"My wife helps me drink it," he adds. "My son helps me make it. And we all wash bottles." □

Where the Grape Grows Best

Why don't Americans drink more wine?

When Europeans first visited the New World, they were astonished by the way grapes grew wild here.

The Norsemen called America Vinland.

Capt. John Smith wrote "of Vines great abundance in many parts that climbe the toppes of highest trees in some places, but these beare but few grapes. Except by the rivers and savage habitations, where they are not overshadowed from the sunne, they are covered with fruit, though never pruined nor manured."

Most of the known species of the grapevine, or vitis, are native to North America.

But the wine grapes of Europe are a different species. All are varieties of a single Eurasian species, called vitis Vinifera, from the Middle East. Burgundy, Bordeaux, Champagne, Chianti, Sherry, Port, Madeira—all are European wines squeezed from vitis Vinifera grapes.

On the East Coast, early settlers tried to introduce the European vines, but they didn't flourish. They were easy victims of the pests and diseases that American grapevines had learned to resist.

But vitis Vinifera flourishes in California. That state has a Mediterranean climate like many of the European and North African wine-growing areas.

European varieties—varietal grapes—were introduced there about the middle of the 19th century. In a short time, California wines took over the biggest share of the domestic market.

They still dominate today, although other parts of the United States—Ohio, Missouri, Maryland, and notably New York—grow good grapes and make good wines. From flowering to picking, the grapes need about 100 days of good sunshine—and drainage.

Want to make your own?

It's not expensive. You can start with a two-by-four—to crush the grapes—a piece of cheesecloth and a few carboys or plastic containers to store the juice while it ferments.

If you prefer something a little more professional, a crusher, a basket-press and other essential equipment might run you from $500 to $1,000.

Want to learn more?

Here are a few useful books: *American Wines and Wine-Making* by Philip M. Wagner, published by Borozoi Books. *Which Wine, The Wine Drinker's Buying Guide* by Peter M. F. Sichel and Judy Ley, published by Harper & Row. *Wines of France* by Alexis Lichine, published by Alfred A. Knopf.

Had this type of book been available earlier, Arpad Haraszthy, son of the pioneer California grape-grower and wine-maker, Count Agoston Haraszthy of Hungary, might not have written:

"The great obstacle of our success . . . is that the average American is a whisky-drinking, water-drinking, coffee-drinking, tea-drinking, and consequently a dyspepsia-inviting subject who does not know the use or value of pure light wine taken at the proper time and in moderate quantities.

"The task before us lies in teaching our people how to drink wine, when to drink it, and how much of it to drink."

That was a hundred years ago. Few social observations hold up that long.



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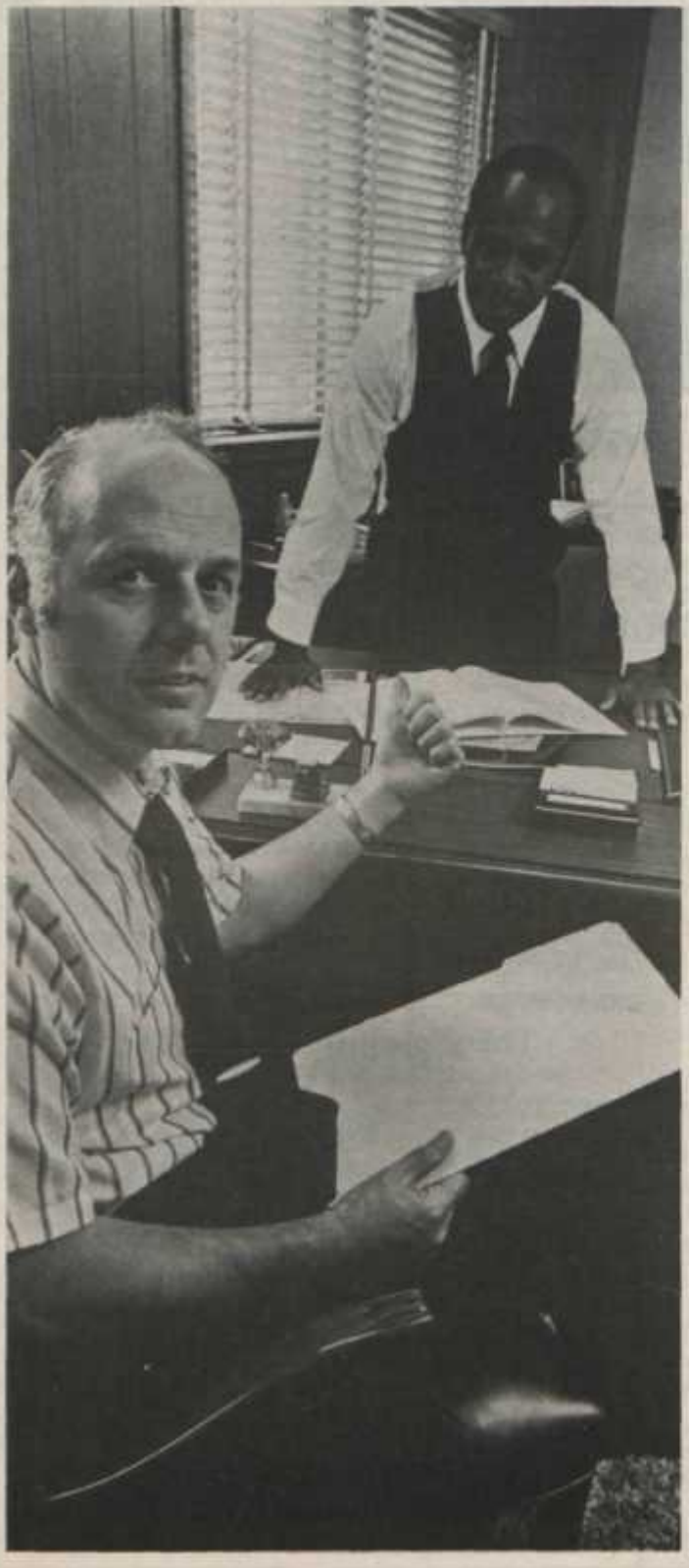
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INSURANCE:

New Wrinkles Broaden Business Coverage

By John N. Cosgrove

ONE BUSINESS has 10,000 shareholders to satisfy; another answers only to Mom and Pop. But both share a common concern—risk.

Each can be wiped out by poor management, strong competitors, economic and social circumstances, or disasters—natural and man-made. Their vulnerability to some of these threats can be reduced by a sound defense—insurance. Adequate protection is usually within equal reach of all businesses, regardless of size. However, some fail to take full advantage of it.

PHOTO: JOE CALAMINICI



Small businessmen can look forward to commercial mass marketing offerings from giants such as The Prudential, which is headquartered in Newark, N. J.

John Brannan, a marketing executive with Shelby Mutual Insurance Co. of Shelby, Ohio, relates the following horror story to illustrate that failing:

A 48-year-old entrepreneur had succeeded after a long struggle in establishing a profitable and debt-free operation. His prospects and reputation were excellent. He had reached financial maturity, but a single Sunday afternoon demolished the sound structure that had taken him 18 years to build.

The business owned two company cars that it titled and insured. The bodily injury liability was $100,000 per person. Although the owner knew that his son had numerous speeding convictions and at least two license suspensions, he allowed the son full use of one of the cars.

One Sunday, the son was in an auto crash that left the other driver permanently disabled. The victim sued the firm and the family for more than $2 million.

The suit worried the business's bank and suppliers. Some suppliers froze the firm's credit, and the bank demanded collateral—for the first time in years—for the short-term financing of inventory.

Eventually, the suit was settled for slightly more than $200,000. The insurance policy contributed $100,000; the remainder came from the business and personal assets. Once again, the home and the business property assumed heavy mortgages.

The business owner deducted about $100,000 on his income tax form as a business expense. The Internal Revenue Service refused to allow the deduction because the accident did not occur as a result of company business.

Below liability limits

"Today, personal and commercial liability umbrella coverage is a must," Mr. Brannan says. Most liability claims are settled with some negotiation and well below limits. Thus, umbrella costs reflect only the unusual, but always possible, jumbo awards.

Development of such innovative policies has been a hallmark of the insurance business for many decades. Insurance protection for the staffs of business firms—large and small—is continually improving.

For example, Continental American Life has introduced a tax-deductible life insurance plan for active and retired employees. It is called prefunded group term or PGT.

Advantages include: 100 percent tax write-off of costs for the employer; the flexibility to choose which classes of employees are to be covered; and elimination of the temporary nature of

MR. COSGROVE *is a consultant to the Insurance Information Institute, New York, and a contributing editor of the* Journal of Commerce.

group term insurance, which previously either vanished or diminished to a low amount at the employee's retirement.

Refinements of refinements also consistently appear in the insurance business.

Nonsmoker coverage

State Mutual Life Assurance Co. of America has just announced that the children of its current nonsmoker policyholders, who get a discount, will be able to buy up to $25,000 of permanent nonsmoker life coverage when they reach age 22 or 25—regardless of their health or occupation. They will also be exempt from any of the usual underwriting requirements.

Then there are new wrinkles.

Kemper Life Insurance Companies are making it easier for recovered alcoholics to buy standard life policies. After analyzing confidential information on the success of a person's recovery, Kemper offers coverage to those whose alcoholism has been in remission for two years and who have a strong support system.

In the past, alcoholics were considered substandard risks until they had been dry for five years. The Kemper company is deeply involved in education, treatment, and rehabilitation programs for alcoholics.

Washington National Insurance Co. has introduced Life/Plus, which ingeniously combines regular life insurance plans with a special fixed annuity rider in one policy. The coverage, which involves a yearly guaranteed interest accumulation rate under a fixed annuity rider, is now on sale in most states.

Some life insurers have developed imaginative marketing maneuvers tied to the ultimate sale of various forms of protection.

Equitable Life Assurance Society of the U. S., the pioneer in grouping back in 1912, has a subsidiary called Equico Lessors, Inc. It makes small loans, by Equitable standards, to businesses for equipment and furniture. This is a flourishing venture in itself and opens up opportunities for Equitable agents to later offer small businesses the whole array of the society's products—life, property, casualty, and, of course, group pension plans.

PHOTO: UNIPHOTO



Development of innovative policies has been a hallmark of the insurance business for decades. For example, some companies now offer tax-deductible life insurance plans—called prefunded group term—for retired employees.

Endless stream

Among property-casualty insurers an endless stream of packaged products flows to consumers—notably to small and medium-sized businesses. These are the desirable risks for which insurers are competing intensely.

Continental Insurance Companies of New York recently put out a booklet that highlighted this competition. Continental had this to say:

"More than 2,400 companies sell property and casualty insurance in the United States. They differ enormously in experience, capability, reputation, and the number and size of the risks they can handle. If you don't know the company, check its track record. Read its annual report. Talk to some other policyholders. Check its financial health. The publications of A. M. Best Co., an industry rating service, can help. Ask your agent or broker."

Gradation of policies

Continental and other larger companies are concentrating on the small to medium-sized commercial enterprise as the healthiest kind of risk. These insurers offer a gradation of policies. There's the ultra special, the custom model, and the economy policy.

For decades, Allstate Insurance Co. has ranked among the top marketers. Not surprisingly, when the company decided to go after its share of commercial business, it turned to the industry's most successful marketers—the independent agents.

Allstate will continue to use its own employee-agents in the commercial field, but Northbrook Property & Casualty Insurance Co., a new Allstate affiliate, is now taking a different tack.

Northbrook's President Robert A.

Stretching the Insurance Dollar

Small businesses faced with inflationary cost increases must make every insurance dollar count.

"Act like risk managers, the specialists that large corporations usually employ," says Peter P. Conway, vice president for CNA Insurance.

Anti-inflation techniques he recommends are:

- Agree to higher deductibles.
- Carry out a thorough loss-control program.
- Buy an insurance package rather than separate policies.
- Review existing coverage and alternatives with an agent or broker, who often is able to perform many of the functions of a risk manager.

How often should a business owner review? At least once a year, Mr. Conway advises. And don't be lulled by the inflation guard endorsement that has been added to some commercial policies in recent years.

"The rate of inflation may exceed the automatic increase provided," he warns. "That means a business could be underinsured."

You'll know us by the mark we make.



Crum and Forster has grown substantially in recent years. We've expanded our activities and brought together a number of fine companies with a wealth of expertise and valued reputations in their respective markets.

So that you can more easily recognize Crum and Forster and its insurance companies, we've adopted this new symbol.

Now when you see us on national television, in newspaper and magazine advertising or promotional materials, you'll know us by the mark we make.

Crum and Forster

In the east: U.S. Insurance Group, Morris Township, NJ 07960
In the west: Industrial Indemnity, San Francisco, CA 94120

Leibold says that his company, which has no traditional practices, will write business exclusively through independent agents and brokers.

An insurer need not be a giant to make headway. The Atlantic Companies, a medium-sized property-casualty insurance group, has prospered by marketing commercial insurance packages to small and medium-sized businesses. Atlantic is 63rd in size among property-casualty groups, but ranks 21st in writing commercial multiperil insurance.

Since 1960, when Atlantic first applied the principles of the homeowners package to business insurance, it has gained a competitive edge by allowing the agent and policyholder to select the precise amount of coverage needed.

At first offered only to retailers, Atlantic's package was found to be equally applicable to larger companies in all kinds of businesses.

This has led to selling insurance packages to members of associations and franchise groups through mass marketing.

It's a good bet that many small to medium-sized business operators may

Bermuda Provides a Last Resort

What are 1,000 offshore captive insurance companies doing in Bermuda, an island with 56,000 people?

The companies are certainly not there for the sun and salubrious climate, but for their owners' financial health.

A captive is an organization established by an industrial or service firm to insure its own risks. A corporation may set up a captive to cover one or more perils such as property/casualty risks, pollution liabilities, kidnap and ransom, employee benefits, product liability, and workers' compensation.

Parents of captives claim that they provide broader and cheaper coverage, improve cash flow, produce tax benefits if located in certain tax havens, and use funds in international dealings to turn a profit.

During the 1960s, many firms had difficulty obtaining fire coverage in the conventional insurance market. Through economic necessity, more than 50 corporations established captives then.

By the 1970s, insurers were offering property insurance again, but they could not meet the demand for liability coverage. The malpractice crisis for hospitals and health professionals resulted in the creation of another 50 captives. Then came the increase in product liability claims. A wave of new captive formations followed. That is now cresting because insurers are again able and willing to underwrite product risks.

The latest trend is underwriting the risks of other companies. Among the best known and most successful are Ideal Mutual Insurance Co. (Kraftco), Bellefonte Insurance Co. (Armco Steel), and Elkhorn Insurance Co. (National Distillers and Chemical).

For years, the parents were able to deduct premiums they paid into captives from their income tax as a business expense, just as firms using private insurers can. Then the Internal Revenue Service took the Carnation Co. to task for deducting premiums paid to its subsidiary, Three Flowers Insurance Co., Ltd.



PHOTO: MARK PHILLIPS

Tourists aren't the only ones drawn to sunny Bermuda: It's also home to 1,000 captive insurance companies.

The Tax Court ruled that Carnation could not deduct its premiums because it had not proved that Three Flowers was a separate and distinct company. The IRS charged, and the court agreed, that Carnation was merely shifting dollars from one pocket to another. The IRS insists that a parent and captive do business at arm's length to qualify for a deduction.

Carnation is appealing the decision, and the resolution may take several years. Meanwhile, tax attorneys are advising captives to underwrite enough outside risks to demonstrate that they are bona fide insurers.

Often a company isn't large enough to establish its own insurer. So the smaller concerns' professional society or trade association forms a captive to cover members. Members of association captives say that the keen interest of other participants in holding premiums down keeps losses at a minimum.

Why 1,000 captives came to adopt Bermuda as their base is obvious. There is no income tax in Bermuda, and a company needs only $120,000 in capital to operate. There are no restrictions on the investment of reserves or premium dollars.

Other tax havens for captives include Switzerland, the Cayman Islands, the Bahamas, the Channel Islands, Liberia, Malta, the New Hebrides Islands, Lichtenstein, Curacao, the Antilles, and the Netherlands. Captives also exist happily in the states of New York, Missouri, Kentucky, and Michigan; Colorado and Tennessee have enacted legislation that facilitates formation of captives.

But Bermuda is attractive as a home for captives because as a self-governing British colony with a history of stability, it deals in pounds sterling, making currency exchange relatively easy.

Bermuda recently passed a law to regulate the insurance industry. Part of the government's intent is to ensure solvency without discouraging the formation of new captives.

Bermuda Premier David Gibbon claims that companies there wrote $2.4 billion in premiums in 1978. He compared this output to Lloyd's of London, which had $3 billion in premiums for the same year, and predicts that Bermuda companies will outstrip the English syndicate this year.

Captives are not panaceas for all insurance needs. They should be viewed, experts warn, as a last resort for adequate protection. They require skilled management and a long-term commitment from the parent. As an industry, however, captives seem destined to become a major force in world insurance.

Chances are you already have insurance on your new mini-computer. You should, because you really depend on your computer. That insurance might even cover the cost of replacing your computer, reels, and tapes. Ours does. Even in case of flood and earthquake.

But what about the actual information on those tapes? What about the data? If the tapes burn, or are destroyed, you've lost that information. Which makes your computer useless until you reproduce the data. And that costs money.

So The St. Paul, the same folks who brought you the first computer policy in 1961, has written a new policy especially for mini-computers. Not only will we replace your hardware, we'll also replace your reels, tapes and data. Even on an emergency basis, which can cost considerably more than normal.

And, of course, there are plenty of options available. With the new mini-computer policy from The St. Paul, we can help your computer to remember everything it ever forgot.

So don't forget to look in the Yellow Pages and call an Independent Agent representing The St. Paul in your area. Even if you think your computer's already insured.

We keep making insurance better.

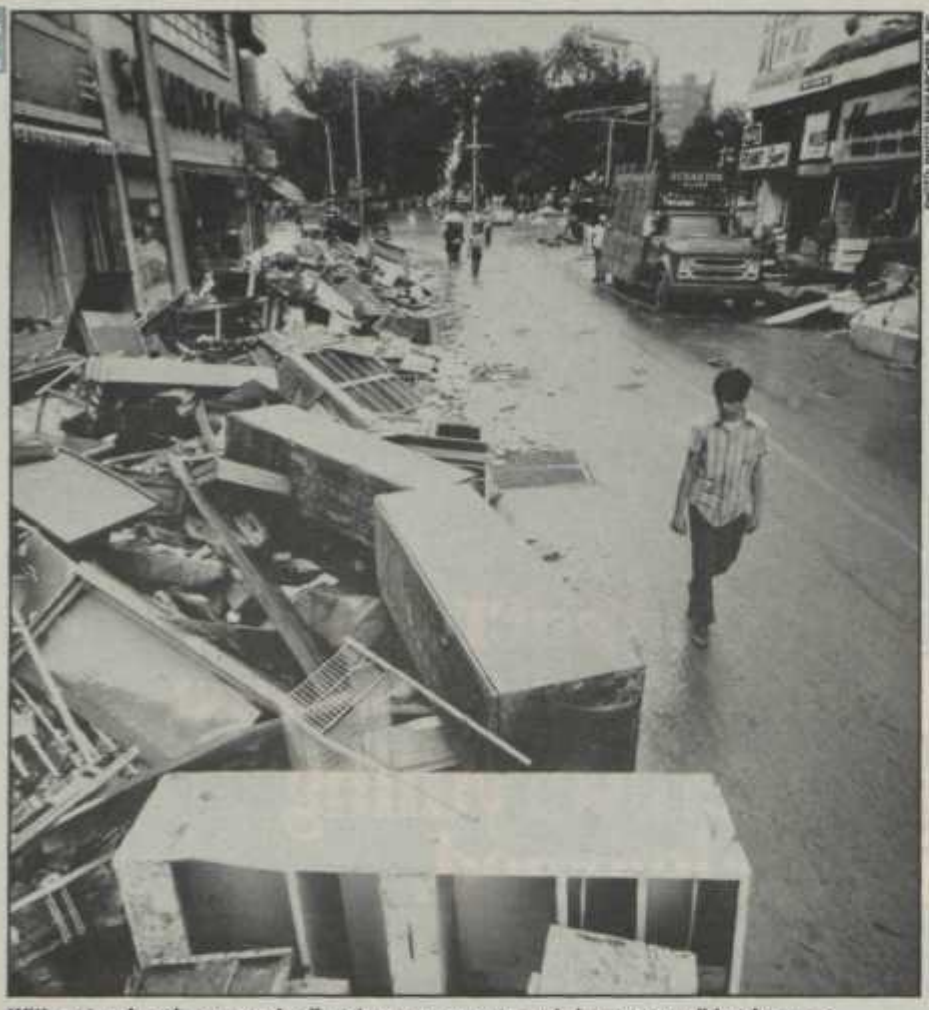
The St Paul
Property & Liability Insurance

Your mini-computer may be insured, but let's see how fast it can forget everything it ever learned.



Your Independent Insurance Agent

Serving you through Independent Agents: St. Paul Fire and Marine Insurance Company, St. Paul Mercury Insurance Company, The St. Paul Insurance Company, St. Paul Guardian Insurance Company, The St. Paul Insurance Company of Illinois. Property and Liability Affiliates of The St. Paul Companies Inc., Saint Paul, Minnesota 55102



With natural and man-made disasters an everpresent danger, small businesses can help reduce their vulnerability to financial ruin by following some simple rules that will enable them to obtain the most out of every insurance dollar.

decide that the most attractive insurance proposition is commercial mass marketing, known as CMM.

Direct writers of commercial business, such as Sentry Insurance, Lumbermen's Mutual Casualty Co., Liberty Mutual Insurance, and Wausau Insurance Companies, have been using this approach for some time.

Property-casualty insurance companies with independent agents as salesmen have offered protection programs through trade associations or franchisers. These programs are designed for many fields of business activity; they can also be tailored for an individual enterprise with special needs.

Association assistance

This overall concept has long been practiced in the sale of life insurance and accident and health coverage. Now, a plumbing contractor, an electrical supplier, a heating oil firm, and many others can turn to their trade groups for other necessary coverage on a mass basis. And franchisers—fast food, hotels, motels, equipment manufacturers, and others—can put valuable protection within reach of franchise holders at economical terms.

Today, a businessman sharing a commercial affinity with others is likely to receive this notice from his trade group's official: A new property-casualty program endorsed by the association is being offered.

Next, an agent of the insurer volunteers to represent him in obtaining a policy. This is no automatic process. In the individual firm's own interest—and the underwriter's—unqualified risks are weeded out. They are likely to have disproportionate losses that would distort the overall scheme. Higher rates and stricter conditions would follow, defeating the very purpose of mass coverage.

Only the eligibles, and they constitute the majority, are admitted to the insured pool. Lifeguards, in this case the insurer's safety experts, speedily appear to counsel the insured. Printed instructions and suggestions are distributed. The members themselves meet to decide how to hold down losses, thus preserving low premiums and maintaining coverage.

Some underwriters carefully implant the idea of the safety group and then allow the members to run it on their own. Other insurers help the insured firms to form a safety committee and delegate a company technician to work with the unit. All contact with members is through the committee.

Peers in an insured group are often much stricter than outsiders about conforming to the rules. Pressure from equals spurs ongoing participation in conservation efforts. The possibility of receiving a dividend for a good loss record is an added incentive.

Success in curtailing losses in typical groups has encouraged mass marketing insurers to enter commercial fields with greater inherent risk problems.

Marketing bellwether

Many more insurers are likely to be trying soon for the mass market business. That prediction is based on the move into CMM by a marketing bellwether—the American International Group, which early this year activated Marketpac International, Inc.

Besides insurance companies, agents themselves have sparked CMM. One group of producers joined forces in Marketing Management, Inc., a pioneering privately owned independent agency organization with 330 sales-service offices nationwide.

The big writers in CMM are the Fireman's Fund Insurance Co., which wrote from $100 million to $160 million in 1978; Insurance Company of North America, which wrote $150 million; followed by CNA, which wrote $80 million. Also notable in the market are Royal-Globe Co., Inc., Kemper, the St. Paul Life Companies, Great American, Chubb & Son, Inc., Continental Insurance Co., Atlantic Mutual Co., Aetna Life & Casualty, Aetna Insurance Co., Mission, Sayre & Toso, Inc., Union Insurance Co., and Providence Washington Insurance Group.

Formidable competitor

The small businessman can look forward to CMM offerings from the giants of life insurance—Equitable, Prudential, and Metropolitan, all of which are making gains in the property-casualty arena.

Life companies' mass marketing experience and their agents' willingness to ferret out prospects will make them formidable competitors for trade association business.

All of which will be good for the customer who needs protection on an economical and continuing basis. □



How a simple, inexpensive pension program can help the employees of a small company feel like they have a big future.

Introducing Prudential's new Simplified Employee Pension Program.

Prudential's new Simplified Employee Pension Program (SEPP) can make it a lot easier for you to help your employees plan for retirement with a pension program that you can afford and they can appreciate.

Now even small companies, incorporated or not, can establish a SEPP and enjoy many of the same tax advantages available to the pension plans of the big corporations. Without the administrative disadvantages.

SEPP has been designed to be installed easily and economically. Legislation establishing this program calls for "simplified reporting requirements" which should mean easier administration.

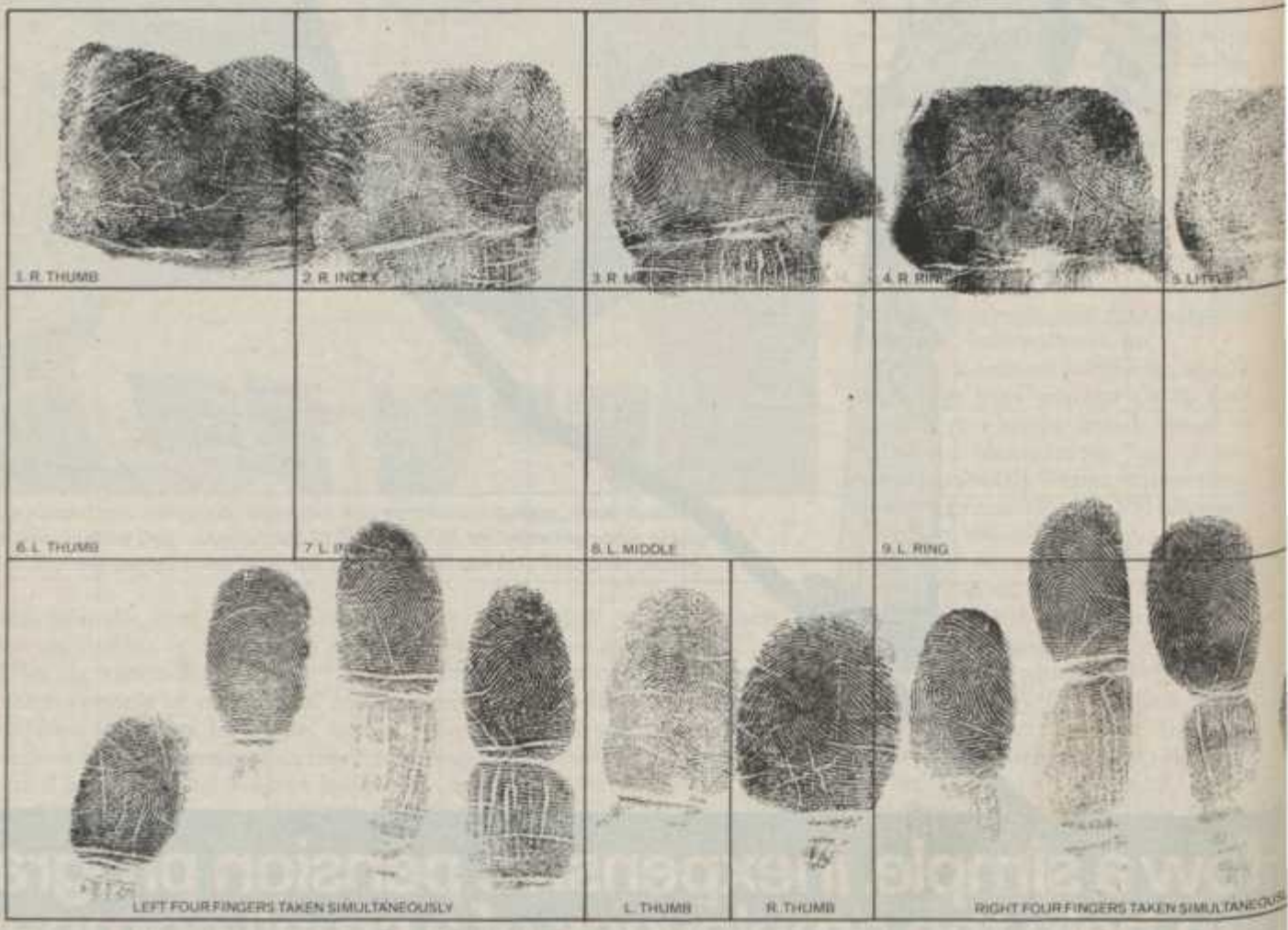
Your fully tax-deductible contributions to Individual Retirement Annuities for you and your eligible employees can be made in amounts up to $7500 or 15% of yearly compensation, whichever is less. For further cost reduction and more balanced retirement benefits, the contributions can be offset by employer payments to Social Security.

So if you're looking for an easy, economical pension program that can give your small company the type of benefits the big companies have had all along, simply call your Prudential Agent. He or she will give you the details on Prudential's Simplified Employee Pension Program.

The Prudential Insurance Company of America

Prudential

Life Health Auto Home


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2. R. INDEX
3. R. MIDDLE
4. R. RING
5. LITTLE
6. L. THUMB
7. L. INDEX
8. L. MIDDLE
9. L. RING
LEFT FOUR FINGERS TAKEN SIMULTANEOUSLY
L. THUMB
R. THUMB
RIGHT FOUR FINGERS TAKEN SIMULTANEOUSLY

What's happening to business today is criminal.

Here are two ways you can combat crime– and its losses.

1 Crime-fighting information. It's free.

The Home will send you free booklets packed with ideas to help you beat crime in your business. Ideas on how to prevent burglary and robbery, reduce shoplifting, stop retail theft, outwit bad-check passers. There's no charge, no obligation.

2 Crime-covering insurance. It's comprehensive.

If you don't have the right protection, you could be asking for trouble. The Home's Business Owner's Policy offers optional crime-loss coverage that lets you select exactly the type and amount you need. The Home will help you protect your money, securities, merchandise, furniture and equipment. Broad protection includes special burglary and robbery package, employee dishonesty, forgery/counterfeit currency and more.

The Home's Business Owner's Policy is available in all states except Hawaii, Mississippi and Texas.

The Home Insurance Company

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Corporate Communications
The Home Insurance Company
59 Maiden Lane
New York, N.Y. 10038

I want to find out more about how I can protect my business against crime and its losses.

☐ Please send me your free booklets on crime prevention:
- ☐ Preventing retail thefts
- ☐ Outwitting bad-check passers
- ☐ Reducing shoplifting losses
- ☐ Preventing burglary and robbery losses

☐ Please have a Home Key Agent call me. I understand there's no cost or obligation.

NAME_____

COMPANY_____

ADDRESS_____

CITY_____ STATE_____ ZIP_____

The expiration date of my current business insurance policy is_____

NB11/79

The Last Frontier for Uncle Sam

"YOUR INDUSTRY," says Rep. John Rhodes (R.-Ariz), "is politically an attractive nuisance. For the bureaucracy, you represent the last big frontier—the only major industry that Uncle Sam has not taken into the fold. Not only Congress, but also existing regulators have cast covetous eyes in your direction."

This warning from the minority leader of the House of Representatives was conveyed to the National Association of Insurance Brokers board of directors meeting in Hilton Head, S. C.

David D. Holbrook, former president of the association and senior vice president and director of Marsh & McLennan, Inc., also told the board that the case for dramatically increasing federal involvement in the insurance business has been slowly but inexorably developing.

"One broker familiar with the Washington scene has observed: 'It takes many years for concepts to develop into law. There are strong indications that our time in the legislative spotlight has come.' "

Handful of agencies

Washington's campaign to gain regulatory control of insurance companies is a battle not only against a giant industry, but also against local insurance agents.

The men and women who sell insurance for a living are divided almost equally between companies and agencies. All but a handful of agencies are small operations that can only be hindered by more government regulation.

The coordinated attack on the insurance industry by the federal government's proliferating troops centers on the repeal or amendment of the McCarran-Ferguson Act. This law stipulates that the insurance business should be sheltered from federal antitrust sanctions as long as state regulators do a satisfactory job.

Last summer, the staff of the Senate Judiciary subcommittee on antitrust circulated a draft of a bill to water down the McCarran-Ferguson Act and facilitate federal regulation of insurance. This has long been the goal of



PHOTO: BRUCE HOERTEL

Sen. Howard Metzenbaum (D.-Ohio) wants federal controls on insurance.

Sen. Howard Metzenbaum (D.-Ohio), chairman of the Senate antitrust subcommittee and sponsor of the legislative draft.

The Independent Insurance Agents of America immediately labeled the proposal a blatant attempt to federalize the business.

The trade group contends:

- The bill is based on the bureaucrats' belief that they can operate the insurance business better than specialists and regulate it better than seasoned state authorities.
- Every state would be forced to amend its laws to comply with the bill's standards. Failure to do so would undoubtedly mean intervention by the Justice Department.
- The states would pick up the tab for enforcing a string of laws foisted on them by Washington.
- Coverage would be on a come-one, come-all basis. Skilled insurance professionals would be reduced to collecting premiums and distributing payments for losses and other expenses.
- Tested rating standards of age, sex, and marital status would be outlawed. Worthy applicants for personal and commercial insurance would be given identical treatment with the unworthy.
- The states would be required to set up additional pooling mechanisms to guarantee all forms of property and casualty protection for those who could not be accommodated in the regular market. Pool policies would be sold at the same rates and offer the same terms and conditions as those found in the marketplace.
- Only policies that conform to standard features would be approved. This trend to mediocre similarity would kill competition and obstruct innovation.
- Whether these features and others in the proposal will ever become law will be determined by the usual legislative process.

Meanwhile, the government continues to explore new avenues of entry into the insurance business, A sampling of Washington proposals, studies, and other projects suggests the scope of involvement by federal departments and agencies in the industry's affairs:

COMMERCE

Product liability insurance. A report to determine if rates and premiums reflect actual product risk and to detail what the insurance industry and state regulators have done to improve the product liability situation.

Model uniform product liability law. A model code to help states deal with major legal issues in product liability cases.

Product liability in the workplace. A legislative proposal submitted to the Labor Department for possible use in federal workers' compensation reform.

Municipal self fire insurance. The federal national fire safety and research office awarded a grant to the Institute for Local Self-Government to determine if municipalities can consolidate under one budget the operation of fire departments, fire prevention efforts, and fire coverage through self-insurance, thus eliminating the need for private insurers and their agents.

JUSTICE

Professional malpractice. A study of malpractice claims to determine whether federal legislation is needed.

Antitrust exemption. The National Commission for Review of Antitrust

Now you don't have to be a big company to be treated like a big company.



Introducing "Met 50 Plus": a special group insurance plan for medium-sized companies.

What an idea.

First, your life is simplified with a special field force catering to the needs of companies like yours.

Then it's further simplified with a choice of customized plans that are developed just for your size of company.

While specially designed to fit the needs and budget of a medium-sized company (50-200 employees), Met 50 Plus benefit plans include the efficiencies normally reserved for only big group insurance customers.

That's the best of all possible worlds.

And you get the experience of one of the nation's largest and most responsive group insurers.

From Metropolitan Life, new Met 50 Plus. Life and Health Insurance Plans for medium-sized companies that want big company group insurance coverage.

Contact your insurance broker or Metropolitan Representative for additional information.

With Metropolitan's group plans, everybody benefits.

Metropolitan

Metropolitan really stands by you.

LIFE/HEALTH/AUTO/HOME/RETIREMENT

Metropolitan Life Insurance Co

Laws and Procedures is considering whether the McCarran-Ferguson Act should be amended, repealed, or studied further.

Medical malpractice. Developing a legislative proposal for national minimum standards to settle claims.

FTC

Insurance discrimination. Exploring justification for territorial lines in rating and conducting research on banning the use of age, sex, marital status, and territories as categories.

Another example of the federal government's intrusion into the insurance industry is the FTC's 1979 staff report on life insurance.

FTC staff charged in the report that:

- Whole life policies are a poor investment compared with other thrift opportunities. The return on whole life is a meager 1.3 percent.
- Consumers are unable to evaluate costs of life coverages because of the lack of price disclosure.

The National Association of Life Underwriters has rebutted the FTC's report. The association says that in calculating 1.3 percent as an industry-wide rate of return, the FTC staff used such a mixture of different policies issued at different times that the figure is meaningless for any particular buyer.

The economist who headed the life insurance study later stated that the 1.3 percent figure quoted in the report was the result of a faulty calculation, the association says. This same econo-

Congress Eyes the Crop-Hail Business

Insurers are accustomed to the ravages of arson in decaying cities, smashups on the highways, raging winds, and shattering explosions. Now they are menaced by a new threat that has grown on the usually placid farmlands of America.

For years, private insurers have been furnishing crop-hail coverage for farmers. More than 140 companies currently market crop-hail policies through about 30,000 agents. Together, they supply more than $11 billion worth of protection in 48 states. Premiums written in 1978 came to more than $350 million.

Now the Agriculture Department wants the Federal Crop Insurance Corp. (FCIC) to extend its services to more producers and absorb the free disaster payments program. Last year, USDA proposed the Farm Production Protection Act to the House and Senate agriculture committees. This legislation would repeal the present FCIC Act, transfer the FCIC program to the Commodity Credit Corp. (a noninsurance operation), greatly expand government takeover of crop insurance business from private industry, and replace the disaster payment program with heavily subsidized government crop insurance premiums.

The crop insurance industry vigorously rejected the proposed legislation. As a result, the House and Senate agriculture committees each drafted separate legislation to amend the present FCIC Act. Generally, both bills would:

1. Extend availability of government insurance to more commodities and regions by removing limitations on expansion, authorizing increased funding, and encouraging private company participation through reinsurance and price equalization provisions.

2. Encourage farmer participation by providing a direct premium subsidy, phasing out the disaster payments program, and offering some optional provisions for broader appeal.



PHOTO: JOSEPH LARSON—USDA

About 140 private insurers provide protection against hail, which can devastate peach and other crops.

The Senate bill passed in mid-September. A more conservative bill has been reported by the House committee. Proponents hope that compromise language can be developed and enacted before Congress adjourns. The administration would like the level of farmer participation increased from the current eight percent to 68 percent within three years.

Proponents of the bill claim it would end demeaning giveaway programs and increase private participation in marketing the FCIC's all-risk insurance program.

The private crop insurance industry wants to get the government completely out of the crop-hail and fire insurance business and reduce the levels of premium subsidy coverage well below the levels provided in either the House or Senate bills.

The agents have rejected the industry participation provisions because of the meager returns and lack of control over the business, which would be owned by the government. The insurance companies see the federal plan as nationalization of the crop-hail business.

If Agriculture's plans are implemented, $73.5 million in commission earned by agents last year could be lost to the countless communities in which they operate. Also, some industry members fear that many company employees, adjusters, and others in the crop-hail field will lose their jobs.

The Chamber of Commerce of the United States opposes the permanent establishment of any government-created insurance monopolies. In the case of crop insurance, the U. S. Chamber contends that government disaster assistance should not serve as disincentives for producers to voluntarily seek reasonable levels of insurance protection through the established, highly competitive, and efficient industry.

The insurance industry is trying to work out an arrangement that would achieve the Agriculture Department's expansion goals while retaining private crop-hail insurance. Changes in the proposed legislation have been suggested, but whether such efforts will produce a compromise to protect the farmers' right of free choice is uncertain.

If you have to answer "no" to any of these questions, you may have bought the wrong kind of insurance for your business.

Of the three types of packaged insurance, two will be wrong for your firm. Can you identify them?	*Two principles of risk management can trim losses and lower your insurance costs. Do you know them?*	*Do you know what elements to look for in an insurance package?*	*Of the five types of deductibles, do you know which one is right for you?*	*Do you know the key questions to ask an agent or broker before you buy insurance?*
1 YES NO	2 YES NO	3 YES NO	4 YES NO	5 YES NO

If you answered "no" to any of these, you'd better send for this *free* 32-page booklet: "What You Should Know About Made To Order Business Insurance Packages," and get all the facts you need on modern business insurance packages.





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The Continental Insurance Companies

subsidiaries of The Continental Corporation

80 Maiden Lane, New York, N.Y. 10038

Send me your free 32-page booklet with all the facts on modern business insurance packages.

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The Continental Insurance Companies
80 Maiden Lane, New York, N.Y. 10038

mist admitted that some whole life policies have returns as high as nine percent. The FTC staff has conceded that the 1.3 percent aggregate industry figure has no real relevance for the individual buyer of life insurance.

The association points out that the FTC has sponsored two separate surveys on price disclosure and the consumer's ability to evaluate costs.

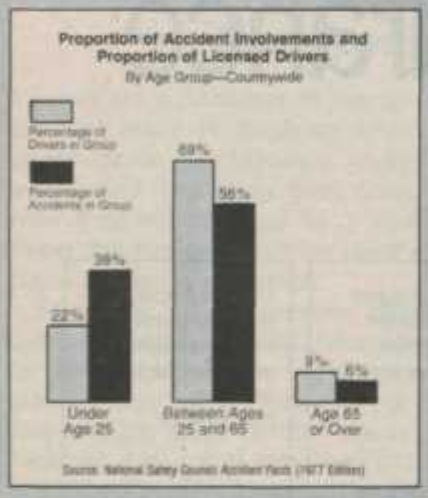
One of these was conducted at Purdue University to determine what information consumers use in buying life insurance and how current cost disclosure materials help them. The FTC also retained a professor at the University of Wisconsin to survey life insurance buyers in New Jersey on their recent purchases.

The first study, which cost $155,000, concluded that consumers exposed to any one of the six available disclosure systems investigated were able to make good purchase decisions.

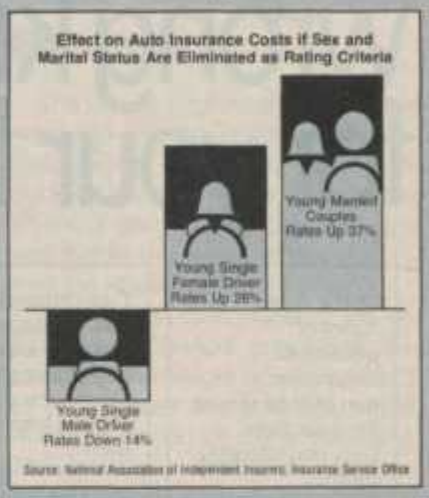
The findings of this research were confined to a footnote in the FTC staff report and to a small summary in an appendix.

The other survey interviewed 194 buyers in New Jersey. Only 3.1 per-

Auto Insurance: Good Drivers Are More Equal







Certain politicians and reformers are pushing hard for what they call fairness for everyone in the cost of auto insurance. To achieve that social aim they want to reduce payments for the drivers involved in the most frequent and costliest accidents.

They would erase standards used in setting auto insurance rates: Age, sex, marital status, and the area where a vehicle is garaged.

These standards, admittedly not perfect, are rooted in the record of statistical facts about drivers and accidents over the years. But, say insurance experts, reformers want to dismiss all this data in favor of untested concepts that they claim will make insurance costs socially acceptable.

That is a potent catch phrase, and insurers worry that many will buy it. But others look beyond unsupported promises. Bill Simmons, *Philadelphia Inquirer* columnist, writes:

"There is a move afoot, led for the most part by well-meaning people, to equalize as much as possible the fees that American motorists pay for car insurance. The feeling is that you shouldn't be forced to pay two or three times as much for the same coverage just because you live in a city rather than the country or because you are a 22-year-old male and not a middle-aged family man.

"Another way of looking at it is that for every $100 in bodily injury losses caused by the adult pleasure-use car owners, the unmarried man under 25, as owner or principal operator, generates $306 in claims. The second highest claim group is unmarried women under 21, at $180.

"If insurance premiums were to be averaged out, the largest group—adults who use their cars for pleasure—would wind up paying 27 percent more for the same coverage they now have, while the unmarried male under 25, as owner or principal operator, would realize a 59 percent reduction."

Mr. Simmons concludes: "That's great for those in the high-risk group but bad for the majority."

There is no lack of sympathy for those who are not able to pay for the auto protection they need. But solving this problem is not simple. Kenneth E. DeShetler, former insurance commissioner of the state of Ohio and now an official of Nationwide Insurance, puts it this way:

"There's a great difference between insurance that is unaffordable because the driver has a low income and unaffordable because the driver has produced excessive losses. In the former case, a subsidy might be a matter of public conscience; in the latter, it would be a matter of classic stupidity.

"I see great attention paid to the social effect of a rating system change, but hear little discussion of the economic fallout. If some groups of people should be insured at subsidized rates, the amount of that subsidy should be decided in public debate.

"Those who can change the insurance structure should be sure that the demands to alter existing practices really represent the will of an informed people—not just the desires of some narrowly defined interest group."

George K. Bernstein, federal insurance administrator from 1969 to 1974 and now practicing law and specializing in insurance regulatory and legislative affairs, agrees:

"One must seriously question whether those who would implement the reallocation of insurance costs are advocates of the public interest."

cent were dissatisfied with the life insurance policy they purchased.

On the other hand, 83.3 percent were satisfied: of that figure, 15.6 percent said they were extremely satisfied, and 41.7 percent said they were very satisfied.

FTC staff, according to the association, believes that consumers should buy term insurance because they could invest the difference in price between that and whole life protection.

The theory is that if the insured dies during the term period, the beneficiary will have not only the insurance proceeds but also whatever has been accumulated in the separate investment fund.

This advice may help some people. However, it can prove disastrous for the person who lives either beyond the age at which the term insurance expires and has no insurance at all when he dies or so long that the premiums outstrip his ability to pay and he is forced to let his insurance lapse.

While the FTC urges people to buy term insurance because it is cheaper, the Veterans Administration is concerned about "the effect on our term policyholders of the steep insurance premium increases required at older ages."

A VA pamphlet says: "Since 1940, most of our term policyholders have gone through six terms of renewal, which have increased their premiums substantially. At each renewal period we suggest that consideration be given to converting the insurance to one of the permanent plans such as the ordinary life or 20 or 30 payment life."

The VA's admonitions are directed only at government-provided term insurance, but would also apply to the forms of term insurance advocated by the FTC staff.

HUD

Urban insurance. HUD's paper, "Insurance Crisis in Urban America," was published in 1978.

LABOR

Insurance rates and availability. Studying this subject under the Longshoremen's and Harbor Workers' Compensation Act.

HEW

Immunization liability. Reported to Congress on the extent of liability for injuries and deaths resulting from immunization programs and on alternative methods of protection. Conducted an investigation of loss recoveries and costs to the victims of immunization side effects.

Medical malpractice. Sponsored a study on claims in 1976, but results have not been made public.

Health care. Released a paper, "The Antitrust Laws and the Health Care Industry," a 1977-78 examination of the law of medical malpractice, private cost control initiatives by health insurers, and the application of antitrust principles to the health care system, presumably including the health insurance industry.

TRANSPORTATION

No-fault. Continued support for a bill setting national auto insurance standards and mandating no-fault auto systems at state level. □

A Superfluous Federal Solution

The doctrine of strict liability is unfamiliar to most consumers. Simply, it means that manufacturers are strictly liable for harm caused by their products. Application of the doctrine has resulted in record-breaking court awards for people injured while using a defective product.

As insurance claims accelerated and the dollar amounts of settlements and court awards burgeoned in the 1970s, premiums for product liability coverage kept pace. Many manufacturers could not afford to continue buying protection. And insurers became reluctant to cover those enterprises with built-in trouble.

However, in the past few years, both problems have eased notably. Premium costs have stabilized, although they are still relatively high for small businesses and others with severe risks. But availability of coverage is no longer a major problem if the states' experiences are any criteria.

Several years ago, 25 state insurance commissioners asked insurers to set up Market Assistance Plans—MAPs for short—to help those who couldn't obtain product liability coverage in the open market.

In more than two years of operation, MAPs have received less than 2,000 applications for aid. In Illinois, a state with many manufacturers, the MAP had only 114 requests for help from April, 1977, to last July. Not one formal application arrived in the final year of operation, and only a few telephone calls came in. The state insurance commissioner shut down the MAP operation, noting that its framework would be in place in case of an emergency. Shortly thereafter, the Michigan MAP was also closed down.

Despite the fact that product liability protection is again generally available, the Carter administration has introduced a risk retention act that would permit manufacturers and other firms to form groups that would provide product liability insurance. Each would pay premiums, probably tax deductible, into a common fund.

The Commerce Department would take jurisdiction over each group's assets, reserves, loss prevention programs, the amount of risk accepted, and claims handling. The department would also be the self-appointed judge of the qualifications of the various groups' management.

Industry critics note that nothing in the proposal prohibits the groups from excluding risks they find undesirable. In fact, they say, groups will tend to admit only the most attractive risks. This would skim the cream off the overall market, leaving the skim milk for the commercial insurers.

Insurance commentators note that the administration's proposal exempts risk retention groups—or self-insurers—from state regulation and substitutes federal supervision, which would include antitrust laws. Commercial insurers have enjoyed antitrust immunity under the McCarran-Ferguson Act. That act will be partially repealed if risk retention groups are federally supervised.

Among benefits the groups would enjoy by escaping state regulation are freedom from unfair trade practice rules and exemption from supporting state guaranty funds that pay for insolvencies of any insurer. The precedent for future federal jurisdiction would be firmly in place.

Opponents of the risk retention proposal point out that it ignores existing self-insurance and risk retention devices such as reciprocal insurers. These mechanisms now meet the needs of the business community while retaining state regulatory assurance of company solvency and protection for claimants.

AN IMPORTANT "LEAD" FOR 1980'S BUSINESS PLANNING

WHO:
Business Leaders

WHAT:
Attend the U.S. Chamber of Commerce's 68th Annual Meeting

WHEN:
April 27-29, 1980

WHERE:
Washington, D.C.

WHY:
To get insight into what's ahead for business in the '80's... to exchange ideas with other leaders from business, government and the professions...to obtain the top-priority information that impacts forcefully on future business decisions.

Employee Benefits: A $400 Billion Cost

EMPLOYEE BENEFITS will cost American employers almost $400 billion this year. This record sum will pay for vacation time, paid holidays, sick leave, insurance, both government and nongovernment pensions, and numerous other benefits.

Total cost of these benefits will equal about one third of total payroll dollars.

Benefit costs are growing almost twice as fast as wages. The costs of benefits have increased 199 percent between 1967 and 1978, while wages and salaries have grown 115 percent.

Employers spent an average of $98.81 per week for benefits in 1978, compared with $33.06 in 1967.

The amount and nature of employee benefits are analyzed in a new survey of 858 firms conducted by the Chamber of Commerce of the United States. This is the 17th study by the U.S. Chamber, which has traced the growth of employee benefits since 1947.

Benefit costs, the survey shows, vary widely from company to company and from industry to industry.

Fifty-five firms reported their benefit costs were less than $50 per employee per week, while 70 firms reported their costs per employee exceeded $150 per week.

The most lavish fringes were paid by the petroleum industry, averaging $148.37 weekly; followed by public utilities, $128.48; and the chemical industry, $124.21.

Among the lower-paying industries

Weekly Benefits per Employee*

	1978	1967	Percent Change
Old-age, survivors, disability and health insurance (FICA taxes)	$ 15.06	$ 4.88	+209
Pensions (nongovernment)	14.98	5.02	+198
Insurance (life, hospital, surgical, medical, etc.)	14.88	4.02	+270
Paid vacations	13.15	5.21	+152
Paid rest periods, coffee breaks, lunch periods, etc.	9.69	3.44	+182
Paid holidays	8.69	3.25	+167
Unemployment compensation taxes	4.46	1.25	+257
Workers' compensation	4.33	1.00	+333
Profit-sharing payments	3.63	1.48	+145
Paid sick leave	3.35	1.00	+235
Christmas or other special bonuses, suggestion awards, etc.	1.00	0.63	+ 59
Thrift plans	0.83	0.15	+453
Salary continuation or long-term disability	0.79	N.A.	N.A.
Dental insurance	0.58	N.A.	N.A.
Employee meals furnished free	0.46	0.23	+100
Employee education expenditures	0.38	0.08	+375
Discounts on goods and services purchased from company by employees	0.29	0.25	+ 16
Other employee benefits	2.26	1.17	+ 93
Total employee benefits	$98.81	$33.06	+199
Average weekly earnings	$267.77	$124.33	+115

N.A. Data not available.

* Several of these benefits were reported by only a small proportion of employers, and these costs were substantially higher than the above amounts for those companies paying these benefits. For example, profit-sharing payments averaged $3.63 per employee per week for all companies in the survey, but were $17.29 for companies having profit-sharing.

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The objective of the program is to increase plant reliability, especially where boiler, pressure vessel, pump, compressor, turbine motor, air conditioning, or other mechanical or electrical equipment is concerned. It has proven to be most successful because we're uniquely qualified to help you manage your boiler and machinery exposures better.

First, we specialize *exclusively* in boiler and machinery insurance. Of course other companies are in the field, but none as a *specialist*.

Second, we have nearly 1000 highly trained and experienced inspectors and engineers. This is far more than any other company. With this number, you can be sure we're where you are: wherever that may be.

Third, our inspectors check over more different types of equipment in a week than most companies inspect in a year! Which means there are few boiler and machinery exposures we haven't identified and dealt with.

Fourth, our inspectors are better equipped than any others. For example, their worldwide experience is continuously pooled, thus creating a vast bank of boiler and machinery risk experience. This data is analyzed and updated to help you uncover and evaluate your exposures.

Fifth, we obviously identify and inspect risks for our own benefit. So you can be sure we do it well, because keeping your business operating profitably also protects our bottom line.

Finally, our exclusive program of risk management services can assist you in developing meaningful plans in the following areas: risk analysis and exposure evaluations, development of equipment inventories, loss experience tabulations and projections, special inspection service, operating history and inspection reports, operator and supervisory training programs, quality assurance—expediting service, preventive maintenance programs, nondestructive testing, environment and energy controls, development of emergency procedures, and pre-emergency planning and recovery programs. When diligently applied, this program can help reduce the frequency and severity of accidents, giving you more value for your premium dollar.

Now with all this going for you, which should you select to protect your corporate dollars: Hartford Steam Boiler's comprehensive risk management program, or just an ordinary policy from some other insurance company?

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Order by title—each is $25. National Chamber Slides, 1615 H Street N.W., Washington, D.C. 20062 (202/659-6183).

Weekly Employee Benefit Costs by Industry in 1978

	Per employee per week
ALL INDUSTRIES	$ 98.81
MANUFACTURING:	
Petroleum industry	148.37
Chemicals and allied industries	124.21
Transportation equipment	121.56
Primary metal industries	112.98
Machinery (excluding electrical)	107.08
Electrical machinery, equipment, and supplies	98.13
Fabricated metal products (excluding machinery and transportation equipment)	98.06
Stone, clay, and glass products	94.29
Instruments and miscellaneous products	93.06
Printing and publishing	91.04
Food, beverages, and tobacco	90.63
Pulp, paper, lumber, and furniture	88.67
Rubber, leather, and plastic products	77.73
Textile products and apparel	53.58
NONMANUFACTURING:	
Public utilities	128.48
Miscellaneous (research, engineering, education, government agencies, mining, construction)	113.81
Banks, finance, and trust companies	93.96
Insurance companies	92.12
Wholesale and retail trade	71.52
Hospitals	58.69
Department stores	55.12

were hospitals, $58.69 weekly; department stores, $55.12; and textile products and apparel, $53.58.

The two principal types of benefits are: Wages paid for time not worked, including vacations, holidays, sick leave, coffee breaks, and rest periods, which totaled $35.89 per employee per week in 1978; and nonwage payments for pensions, insurance premiums, social security taxes, unemployment compensation taxes, profit-sharing payments, and similar benefits, which totaled $62.92 per employee per week.

The most expensive benefit was employer payments for federal old-age, survivors, disability, and health insurance; FICA taxes averaged $15.06 per employee per week. This did not include the equal amount withheld from an employee's wages.

Private pensions were the next most expensive benefit, averaging $14.98 per employee per week. The petroleum industry's pension payments were the highest, averaging $35.98, followed by those of public utilities, $30.84.

Employer payments for life, hospital, surgical, and medical insurance cost $14.88 per week per employee. This is one of the fastest growing benefits. Employers' costs for these have increased 270 percent since 1967.

The cost of paid vacations averaged $13.15 per week. Length of vacations averaged 12 days per year for all industries, but ranged from 16 days for the petroleum industry down to eight for the textile products and apparel industry and wholesale and retail trade.

Paid coffee breaks, rest periods, wash up time, and other on-the-job time paid for but not worked cost employers an average $9.69 per week per employee last year. This time averaged 17 minutes per day, up from 13 minutes a day 11 years earlier.

Overall, there was an average of eight paid holidays annually that cost employers $8.69 per week per employee. The transportation equipment industry averaged 11 paid holidays per year, the nonelectrical machinery industries and insurance companies averaged nine, and wholesale and retail trade and hospitals averaged six. □

EMPLOYEE BENEFITS 1978, *a 36-page report, can be purchased for $6.00 per copy from the Chamber of Commerce of the United States, 1615 H St. N. W., Washington, D. C. 20062.*

When He Gets Hurt, We All Get Hurt.



There's no arguing the fact that workers' compensation—America's oldest form of social insurance—has benefitted employees. Laws in all 50 states guarantee disabled workers continuation of income as well as expenses for medical care and rehabilitation.

But workers' compensation is not without its faults. Medical costs that rise more rapidly than other prices are part of the problem. But so are waste and abuse. Ultra-liberal interpretations of what constitutes job-related injury have put a strain on both employers and insurors. In some cases, partially disabled workers collect permanent benefits despite holding down full-time jobs, thereby receiving what amounts to double compensation.

Add to these factors the threat of federal intervention that would aggravate existing problems by increasing present benefits without curtailing present abuses, and you have a very real threat to the system.

We can't afford to let that happen. None of us. Not when we realize that, while the cost is paid for initially by the employer, it's ultimately passed on to the consumer.

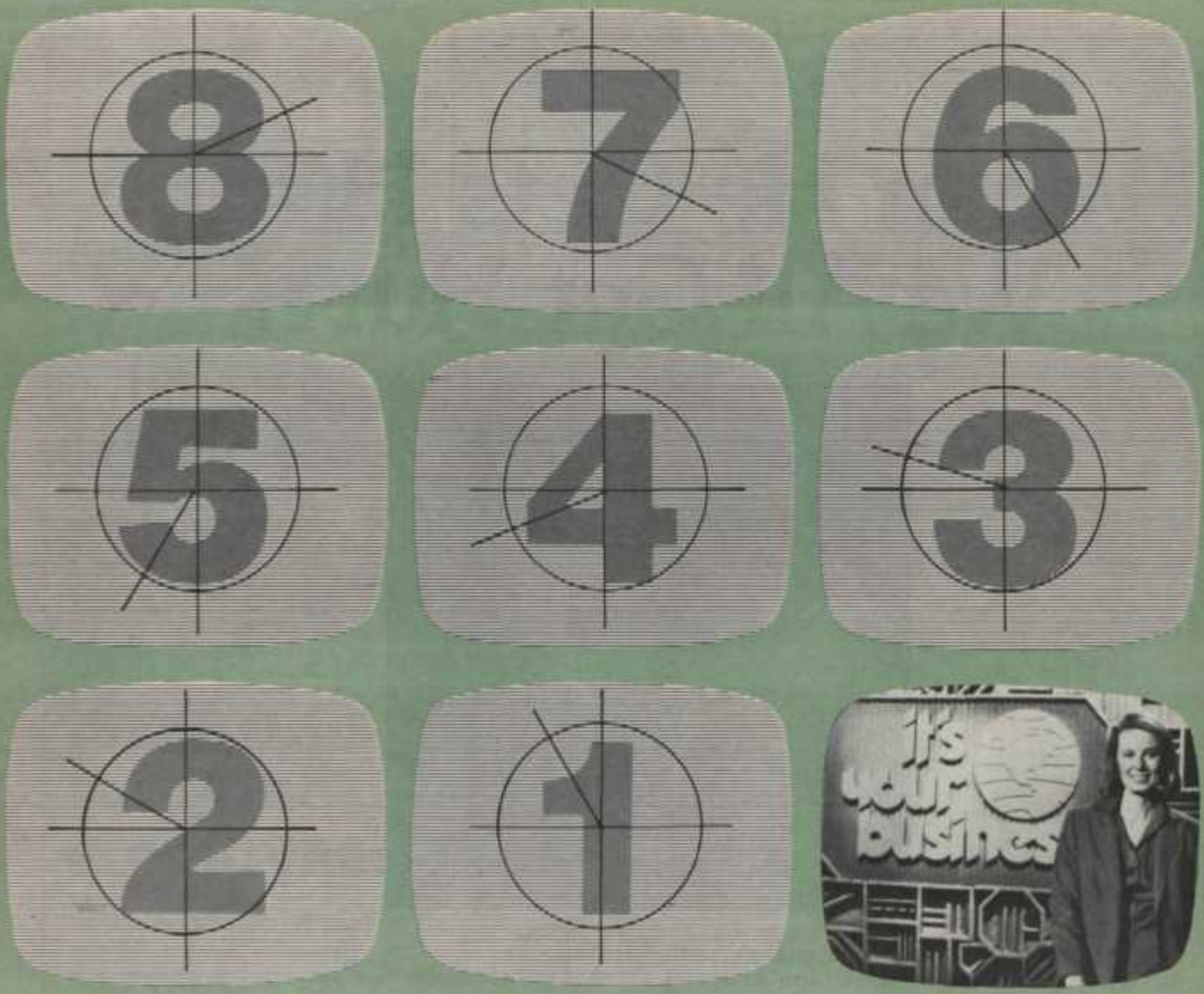
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WGCB	Harrisburg/York/Lancaster/Lebanon, PA
WAVY-TV	Norfolk/Portsmouth/Newport News/Hampton, VA
WAPI-TV	Birmingham, AL
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WNEM-TV	Flint/Saginaw/Bay City, MI
WWBT	Richmond, VA
WDHO-TV	Toledo, OH
WHO-TV	Des Moines, IA
WCTJ	Jacksonville, FL

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WJNL-TV	Johnstown/Altoona, PA
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WICZ-TV	Binghamton, NY
WCSC-TV	Charleston, SC
WCBI-TV	Columbus/Tupelo, MS
KCBJ-TV	Columbia/Jefferson City, MO
WECA-TV	Tallahassee, FL
WINK-TV	Ft. Meyers, FL
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By PRISCILLA SCHWAB

A Little Tokenism Can Help

Ernesta G. Procope stayed put while New York City's Bedford Stuyvesant area succumbed to the endemic rioting of the 1960s. She watched insurance companies cancel her customers' policies solely because the properties were located in the ghetto. She endured the transformation of parts of Brooklyn and the South Bronx into a residential version of T. S. Elliott's *Wasteland*.

Until recently, Mrs. Procope looked out over Bedford Stuyvesant from a modern office building, which housed the headquarters of E. G. Bowman Co., Inc., the $14 million insurance brokerage she founded in 1953.

Today, like a slow-to-heal sore, the old neighborhood is shedding the scabs of abandoned, fire-gutted buildings. The Bedford-Stuyvesant Restoration Corp., one of Mrs. Procope's clients, is patiently rebuilding, with more than 200 brownstones, three housing developments, and an office and shop complex to its credit so far.

"But this is only a Band-Aid," says Mrs. Procope, whose firm has since relocated in Manhattan. "The real problem is unemployment. We need the government and the private sector to come up with incentives for major corporations to relocate in these ghetto areas and create employment."

Revitalizing the neighborhood is only one aspect of Mrs. Procope's campaigns. The major part of the Bowman company's business is placing insurance for about 35 blue-chip corporations.

"All big companies have a corporate insurance program, covering property, liability, health and life, and usually run by a risk manager," says Mrs. Procope. "And most big companies have felt some pressure to implement affirmative action to one degree or another.

"This is my frame of reference. We approach these companies with a plan for handling one or two bits of their insurance needs. Because there is usually a commitment to affirmative action at the top, we have been able to persuade risk managers to let us write some part of their total package.

"Some people call this tokenism. We call it a door-opener, because if we do a good job with that one piece of the business, it is quite possible that we will obtain additional business. So tokenism is fine. It works for us."

The backbone of Bowman is creativity, says Mrs. Procope. "We have to be a little different, a little innovative. For example, we developed a script cassette called *We Can't Let George Do It Anymore*, which makes the point that most municipal services—fire and police—are being reduced all across the country because of local budget constraints. Managers have to be more cautious in thinking about safety and loss control programs within their factories.

"For example, one of our people went into a plant where the managers were very proud of their fire precautions. Extinguishers were strategically located all over. But they ignored the fact that half of the employees were women. The fire extinguishers weighed about 80 pounds apiece and were mounted high on the walls. Most of the women wouldn't have been able to use them.

"We helped them to revise their program. That's the kind of creative service we can give our customers."

PHOTO: STEVE JACKSON



Ernesta Procope, once a student of piano, is now the head of a leading brokerage firm that grew up amid the revitalized ruins of Brooklyn.

Peter Petrie Picked a Perfect Mug

Peter Petrie lost part of a lung in 1965 from working with fiber glass in a Detroit factory. That's why he wound up making pottery, specifically, whimsical cups of all sizes known popularly as Mr. Muggs.

"I was a toolmaker," says Mr. Petrie, "but I started throwing clay to help regain the use of my right arm, which kind of played limp after the lung operation."

That therapy led eventually to Muggs Pottery Ltd., which produces stoneware mugs for coffee, tea, sugar, cream, soup, beer, wine, and whatever. The mug on the mug is a pop-eyed, scraggly bearded or mustachioed, bulbously snouted product of Mr. Petrie's imagination. "The face is basically a caricature of me, except for the nose. That belongs to a friend," he says. "Every mug has a slightly different expression, because they are handcrafted on a production line by seven workers."

The fanciful-faced mugs were a spin-off from Mr. Petrie's fondness for putting people inside containers. After mastering the basics of pottery making, he began creating artistic pots with faces peering up from the bottom or little men inside trying to get out. "I spent a few years in Spain and England perfecting my craft and got into making Mr. Muggs. When I returned to the states, the mug market was just about to take off."

Muggs Pottery pushed the phenomenon along. "About 300 billion cups of coffee are consumed in the United



Ronald Ahlman (right), once a Gulf Oil Co. executive, now masterminds a landscaping design firm near Chicago.

States every day," says Mr. Petrie. "The average person drinks 2.06 cups per day. If you look in offices, almost everyone has his or her own mug."

Mr. Petrie disclaims any grand business design in producing the Muggs pottery, but his entrepreneurial instincts are as finely honed as his artistry. "I've been producing this mug for four years and haven't changed the price. I don't have to. If we want more money, we sell more mugs.

"We have gone from $60,000 annual gross revenues to $120,000 gross to $300,000 last year, doubling each year we have been in business. This year I want to double again and top $1 million in 1980."

In an inflationary push-pull economy of spiraling prices, the cost of clay hasn't changed much. "When we were in New York City, the price was $8 a pack," says Mr. Petrie. "Now, it costs $4 because we buy more of it."

The company slashed overhead costs by moving from the city to Portsmouth, N. H. "In New York, it cost me $700 a month to run two kilns," he says. "In New Hampshire, I can run seven kilns for about $400 a month."

With those kinds of figures and the $100 a week allowance "my wife gives me from the business," Mr. Petrie can afford to indulge his sense of humor.

"A thought comes into my head," he says, "and I have fun shaping the idea in clay. I did a nice one of Jimmy Carter sitting on an oil barrel shooting off little airplanes. It's a ceramic cartoon."

A Partnership Reaches Full Bloom

Ronald A. Ahlman used to spend his summers mowing grass and mulching flower beds. He and a sidekick, Clarence R. Lawrence, had developed a thriving small business in their northwest Chicago neighborhood by the time they were in college.

After college and military service they drifted apart, Mr. Ahlman to the marketing department of Gulf Oil Co., and Mr. Lawrence to become a partner in a landscape business.

"When Clarence's partner moved to Arizona," says Mr. Ahlman, "he remembered the fun we had growing up with our business. He talked me into going back into business with him in 1960.

"When we were kids, the business was called Ahlman and Lawrence. When we went back into business, it became Lawrence and Ahlman."

The renewed partnership established an office and nursery in Dundee, Ill., and began their own effort at the greening of the Chicago area.

The firm combines architectural design with landscape contracting—Mr. Lawrence is a landscape architect—to ensure that the designer's dreams of flowering trees and terraces of tulips will bloom and grow in the designated areas.

"One of the biggest problems in the industry has been the division between the landscape architect and the contractor," says Mr. Ahlman. "When you look at Mr. Architect in his shirt and tie, and you're standing there with your boots on and a shovel in your hand and telling him the trees aren't going to live there because the drainage is nonexistent ... well, architects don't want to hear the workman's opinion.

"Our firm designs the complete package and includes the necessary maintenance. So often, architects and owners will designate so much money for landscaping yet leave nothing in the budget for perpetuating the plants."

Mr. Ahlman credits Lady Bird Johnson for raising the public consciousness of living landscaping. "The city hardscape—buildings, sidewalks, roads—needs softscape—trees, plants, shrubs, grass—for contrast and livability," says Mr. Ahlman. "Man cannot live by concrete alone."

Foliage survival is a science in itself, requiring sturdy specimens that can withstand the ravages of people, animals, atmosphere, and benign neglect. "There is no grass grown that will flourish with a thousand people trampling on it every day," says Mr. Ahlman. "Grass is a living product, it wears out, and it needs superb care—water, fertilizer, weed killer—to stay alive and well."

If people really do care about their surroundings, as Mr. Ahlman believes, why do meandering streams and wooded glades as well as city parks and roadway shoulders inevitably sport an assortment of paper, styrofoam, aluminum, steel, plastic, and glass products tossed away by careless consumers?

"That is a complex question," Mr. Ahlman replies. "It is a learning process, and it starts in the home. That's where children are taught to pick up after themselves. Put your coat away, clean up your room, straighten out those drawers, don't throw the towels on the floor—we can all remember our parents nagging us. People who litter the streets and countryside probably come from littered homes."

PHOTO: ANDREW EDGAR-NORTH LIGHT



Peter Petrie, once a toolmaker in an automobile factory, now runs an assembly line that turns out hundreds of handcrafted mugs daily in Portsmouth, N. H.

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R—Regional
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EDITORIAL

Congress Must Have the Regulatory Veto

IT IS NO SECRET that the two major issues concerning the American people are energy and inflation. Lamentably, neither will go away overnight. But crash programs and panic measures, whether by Congress or the administration, serve only to aggravate the problem. And often, these quick solutions lead to more problems, which become compounded by the regulatory agencies.

There is one way out of the regulatory morass that usually collects in the wake of cure-all laws enacted by Congress. The solution is for Congress to reassert its authority and enact what is commonly called a congressional veto, which would allow Congress to kill a regulation before it takes effect.

Rep. Elliott H. Levitas (D.-Ga.) sums up the issue succinctly: "The question is, who makes the laws of the United States? Is it the elected members of Congress or the unelected bureaucracy?"

The congressional veto is not a new idea. In about half the states, there are laws providing for legislative review of state agency actions. And the concept is no stranger to Washington. Since 1932, more than 135 different acts with nearly 200 separate provisions mandate some congressional review of agency regulations.

Basically, the congressional or one-house veto would work like this: A federal agency that wanted to issue a rule or regulation would have to send it to Congress for review. The rule or regulation would not go into effect if, within a time limit, both the House and Senate vetoed it. Nor would the rule or regulation become effective if, within a specified time, one body vetoed the regulation and the other body failed to override the veto.

Opponents of such legislation argue that it would inundate Congress with regulatory details, stifle the regulatory process, allow constituent and special interest pressures to influence the implementation of laws, and require an enormous growth in congressional staffs to handle the extra work.

In support are the arguments that Congress needs this check to restrain the unchecked regulators, that congressional oversight has been limited by the growth of government, that Congress could better reflect the changing views of the electorate, and that the review system would expand public participation in the regulatory process.

In recent congresses, the veto issue has been raised often; there are now more than 200 House members who have cosponsored veto bills. During the 95th Congress, the House adopted similar veto amendments five times, but the Senate rejected the proposals.

Evidence at the state level indicates that the legislative veto is used sparingly. There is little reason to believe that Congress would become veto-happy, except perhaps when faced with some of the more far-out regulations issued by such public protectors as the Occupational Safety and Health Administration or the Environmental Protection Agency. The energy crisis, which is certain to be with us for some time, could only benefit from some congressional guidance.

Washington wags now describe the Energy Department as a giant log carrying 19,000 ants careening wildly through the rapids—and each ant thinks he's steering.

With veto authority, Congress could take over the helm. It should. □

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Source comparative 'tar' and nicotine figures: FTC Report May 1978. **Of All Brands Sold:** Lowest tar: 0.5 mg. 'tar,' 0.05 mg. nicotine av. per cigarette. **Golden Lights:** 8 mg. 'tar,' 0.7 mg. nicotine av. per cigarette by FTC Method.



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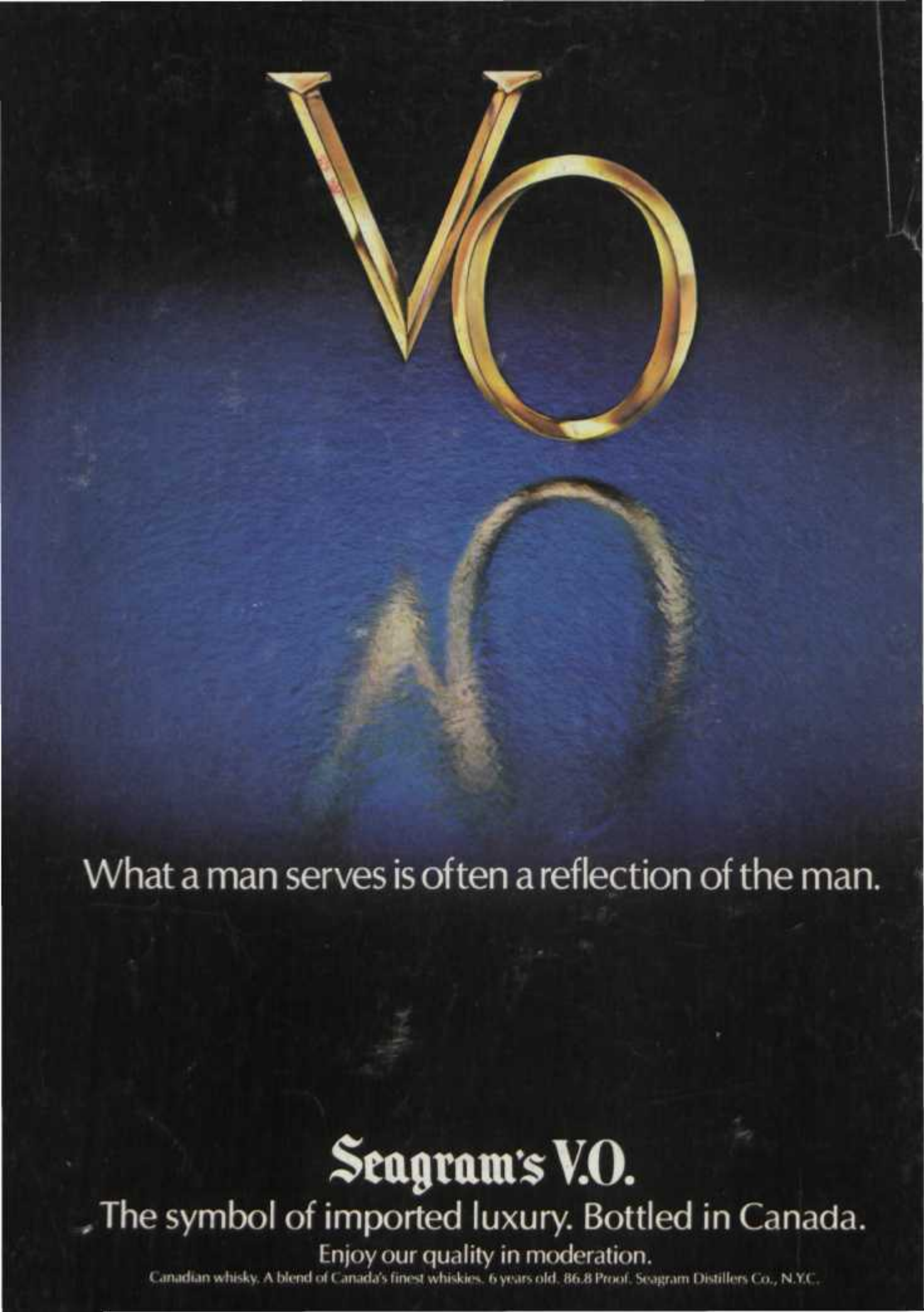
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